BUSINESS

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Proposed pipelines

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70 1947-49=100 I			19	47-49=10	0 170
50					150
40	958				140
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30	hy.				130
20	~	1 1			120
1953 1954 1955 1956 1957 ^J F	M A A	, , ,	A S	0 N	D
USINESS WEEK INDEX (chart)	1946 Average	Year Ago	Month Ago	Week Ago	§ Late Week
	91.6	140.3	135.0	†135.5	*136.
RODUCTION					
Steel inget (thous. of tons). Automobiles and trucks. Electric power (millions of kilowatt-hours). Crude eil and condensate (daily av., thous. of bbls.). Bituminous coal (daily av., thous. of tons). Paperboard (tons)	1,281 62,880 \$17,083 4,238 4,751 1,745 167,269	2,105 35,257 \$55,340 11,564 6,812 1,709 298,603	1,780 17,572 \$61,562 12,025 7,060 1,382 218,998	†1,901 †61,253 †\$64,977 12,342 7,100 1,404 308,455	1,91 57,21 \$64,66 12,11 7,01 1,48 308,84
RADE					
Carleadings: mfrs., miscellaneous and i.c.l. (daily av., thous. of cars)	82 53 90 22	68 55 139 261	61 46 149 191	64 48 136 26 8	1:
RICES					
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100). Industrial raw materials, daily index (BLS, 1947-49 = 100). Foodstuffs, daily index (BLS, 1947-49 = 100). Print cloth (spot and nearby, yd.). Finished steel, index (BLS, 1947-49 = 100). Scrap steel composite (Iron Age, ton). Copper (electrolytic, delivered price, E & MJ, Ib.). Wheat (No. 2, hard and dark hard winter, Kansas City, bu.). Cotton, daily price (middling, 1 in., 14 designated markets, Ib.). Wool tops (Boston, Ib.).	311.9 ††73.2 ††75.4 17.5¢ ††76.4 \$20.27 14.045¢ \$1.97 **30.56¢ \$1.51	395.2 87.6 81.8 17.8¢ 181.7 \$39.33 26.780¢ \$2.12 33.41¢	396.2 86.0 86.4 17.7¢ 186.5 \$42.83 26.465¢ \$1.94 34.71¢ \$1.68	391.0 86.1 84.9 17.6¢ 186.6 \$43.50 26.500¢ \$1.97 34.74¢ \$1.67	389 86 84 17. 186 \$42. 26.52 \$1. 34.7 \$1.
NANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	17.08 3.05% 3/4-1%	42.42 4.96% 4%	48.19 4.83% 27/8%	49.83 4.92% 3%	50. 4.93 31/4
ANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	††45,820 ††71,916 ††9,299 ††49,879 23,888	54,015 87,898 32,331 25,654 25,304	55,509 94,928 29,885 32,674 26,638	†55,531 †93,367 †30,247 31,465 26,558	55,9 93,5 30,2 31,4 26,2
NONTHLY FIGURES OF THE WEEK		1946 Average	Year Ago	Month Ago	Late
Retail sales (seasonally adjusted, in millions)		\$8,541 \$5,489 \$9.8 \$812	\$17,030 \$12.8 †\$24.3 †\$1,677	†\$16,271 \$12.1 †\$24.0 \$1,419	\$16,8 \$1 \$2 \$1,3 \$1,0
Preliminary week ended October 4, 1958. + + Felimete.	********	\$412	†\$1,146	\$1,037	\$1,

^{*} Preliminary, week ended October 4, 1958. * Revised. # Insufficient trading to establish a price.

THE PICTURES—Cover—Ed Malsberg; 25—Pictorial Parade; 27—Joern Gerdts; 28—W.W.; 30, 31—Noel Clark; 63—James Frankfort; 74 (bot.) Sol Sanders; 74, 75 (top & bot. rt.) Bern Keating; 78—U.P.I.; 93—Rheem Mfg. Co.; 94, 95—Herb Kratovil; 96—Time, Inc.; 106—(top) Herb Kratovil, (bot.) Ivan Massar; 107—Ed Malsberg; 108—Trans-Canada Pipe Lines Ltd.; 110—Westcoast Transmission; 132—Herb Kratovil.

^{††} Estimate.
• • Ten designated markets, middling } in.

A Date for 'Latest Week' on each series on request.



Hose that goes to blazes shouldn't blow out

B.F. Goodrich improvements in rubber brought extra benefits

Problem: At oil refinery fires like this, heavy fire trucks, tractors, even bull-dozers, run over the hose and crush it. Some kinds of hose are so weakened by the pounding that they burst—a catastrophe when saving lives and property depends on a steady stream of water from each hose.

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carry a third more hose, and firemen can get it off the trucks and into action faster because B.F.Goodrich found this new way to make fire hose lighter, more flexible without sacrificing strength.

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BUSINESS WEEK . OCTOBER 11, 1958 . NUMBER 1519

RUSINESS WEEK OCTOBER 11, 1958 NUMBER 1519

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READERS REPORT

Slippery Slide Rule

Dear Sir:

If your figures are correct for the prices of the 1958 and 1959 Chevrolet, the percentage increase is over 7% and not less than 2% as stated in In Business (BW-Sep. 27'58,p52).

ADOLPH ZIEGLER

FOREST HILLS, N. Y.

Business Week's slide rule slipped!

Wrong Interpretation

Dear Sir:

Your article on How 1958 Laws Changed Taxes [BW-Sep.20'58, p104] contains a statement as to employee annuities purchased by tax-exempt charitable, religious, or educational institutions which may lead to misunderstanding. . . .

The paragraph in question is as

"Annuities. Annuities bought by a tax-exempt charitable, religious, or educational institution are to be counted as present income to the employee, not as income during the years in which he actually receives the annuity, if the annuity is nonforfeitable."

Actually, Section 23 of the Technical Amendments Act of 1958 has quite a different effect. An exclusion allowance based upon 20% of current salary is established, within which the employer contribution to these annuities is not counted as present income to the employee. (The formula for the allowance is 20% of current salary, times number of years of service, less annuity contributions by the employer in prior years.) Beyond the exclusion allowance, of course, annuity contributions by the employer are treated as stated in your item quoted above. . .

JOHN PAUL GOOD

SECRETARY

TEACHERS INSURANCE AND ANNUITY ASSN. OF AMERICA

COLLEGE RETIREMENT EQUITIES FUND

NEW YORK, N. Y.

Demon Customer

Dear Sir:

As you so interestingly portraved in the Odd Case of the Customer [BW-Sep.6'58,p123]. 10day's customer is a demon for small economies, spending freely for the good things he craves for his family, and all the while bewailing high prices and high taxes. Indeed

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he got that-a-way when the current recession hit. For the first time many realized how little we "own" is actually paid for, how much is on credit, and how big a burden this debt becomes whenever income decreases. The fact that in this depression prices did not drop to cushion the fall, that many prices kept rising gave us all a jolt. . . .

Thus faced with the certainty of higher prices, higher taxes, less real income, what is more natural than for people to be more careful and frugal in their regular buying habits.... There is so much appeal, so much more satisfaction, in this newly rediscovered life of reality and individualism for it to be but a passing fad. Soft living went out with the soft sell.

J. KESNER KAHN

SPIEGEL CHICAGO, ILL.

Ringing the Wrong Bell

Dear Sir:

In your article Buick Tests the 1959 Market [BW—Sep.20'58, p70], you described Buick as the "bellwether of the middle-priced field." You may (or may not) be amused to learn that, according to Webster's Collegiate Dictionary, "bellwether" means "a leader of a thoughtless crowd."

A. ZAILSKAS

GRADUATE DEPT. OF MARKETING UNIVERSITY OF ILLINOIS URBANA, ILL.

Questionable Tax

Dear Sir:

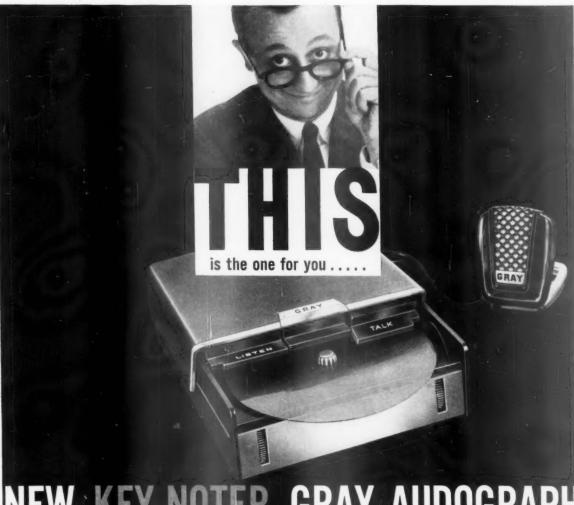
Straight Thinking on Tax Reform [BW—Sep.13'58.p132], the approving comment on Vice-Pres. Nixon's tax proposals, commends the catch among them, the general manufacturers' tax on all items to replace present excise taxes.

The continuation of the war emergency excise taxes has provided revenue for much questionable spending. Now it is proposed that this revenue be permanent by a new tax having in the politician's mind the allure of freedom from complaints of discrimination and concealment with trade markups upon it in the price to the consumer. It will, of course, be exploited to the limit as all new taxes are inevitably.

It would be real straight thinking to stop excise taxes on utility goods and services as a part of revenue reduction, the most effective way of reducing spending.

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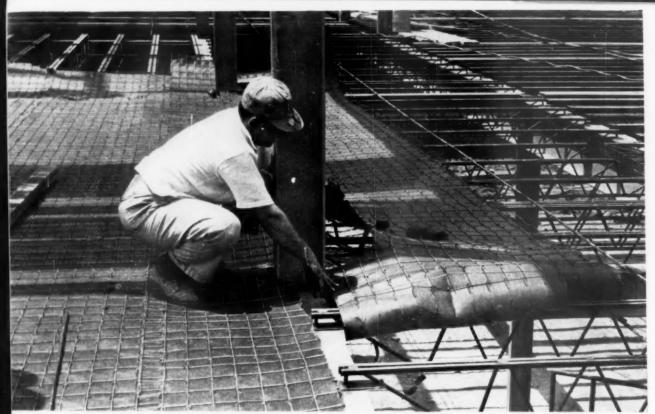
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At Penn Township Senior High School near Pittsburgh, a workman easily places Steeltex Floor Lath around a steel column. Snug-fitting Steeltex prevents cement drip-

through. Architect: Joseph Hoover, AIA, Pittsburgh. Structural Engineer: Leland W. Cook, RPE, Pittsburgh. Contractor: C. De Chicchis & Co., Clairton, Pa.

Six More Architects, Contractors Tell Why Steeltex Saves Money, Speeds and Improves Construction

Whether it's in the Dominican Republic, Puerto Rico, California, New York or Pennsylvania, Steeltex is writing new chapters to a story of construction economy started more than 30 years ago.

Architects and contractors are documenting the story of Steeltex as one answer to steadily rising construction costs and shrinking budgets. They say Steeltex—the wire mesh reinforcing that carries its waterproofed form right on its back—saves money, shortens construction time and gives you a better job.

At the lavish, multi-million dollar Hotel Embajador in the Dominican Republic, Architect Roy F. France specified 244,000 square feet of Steeltex to provide combined form and reinforcing for the roof and seven floors. Said Mr. France:

"Steeltex brought 20 percent savings in time on this big job. Steeltex is easy and quick to install. This brings savings on labor costs." Mr. France reported similar savings at the beautiful Hotel San Juan Intercontinental in Puerto Rico. This 320-room structure required 250,000 square feet of Steeltex from Pittsburgh Steel Products Division of Pittsburgh Steel Co.

Taylor Construction Co. of Miami, the general contractor, estimated savings through using Steeltex "averaged 19 percent over other systems."

Said Aaron Baer, chief of estimating for Taylor Construction:

"Where thin slab over prefabricated steel or concrete joists is the basis for design, Steeltex is in a class by itself—time-wise and cost-wise—in bringing savings."

At the Atwater, Calif., Research Project School, 30,000 square feet of Steeltex was combined with reinforcing rods to provide support for a thin shell catenary roof construction.

"Steeltex helped create a fireproof span of clean appearance at a cost and insulation factor equivalent to conventional wood joist classroom construction," declared Architect Frank Wynkoop, AIA, of Los Angeles.

At 6010 Wilshire Office Building in Los Angeles, 18,000 square feet of Steeltex Floor Lath saved \$5,000 in labor and materials, according to Quinn and Conant, Hollywood contractors.

"Steeltex was installed in just 10 days," said Lewis F. Conant. "If we had used conventional wood forms, we would have taken 30 days.

"We have made comparisons of the cost of concrete slabs using Steeltex as opposed to two-inch planking on wood purlins. We find Steeltex and concrete is approximately 20 percent less expensive and gives the owner much more for his money." Architect for the job was Sidney Eisenshtat, AIA. Structural Engineer: Joseph Sheffet, CEAC, both of Los Angeles.

Similar commendations for Steeltex come from Dean Natali, superintendent for C. De Chicchis



Atwater Research Project School in California has 30,000 square feet of Steeltex installed to provide form in a thin shell catenary roof construction. Architect: Frank Wynkoop, AIA, Los Angeles. Contractor: Graham & Jensen, Merced, Calif.



At 320-room Hotel San Juan Intercontinental, Puerto Rico, 250,000 square feet of Steeltex supports the roof and floors. Taylor Construction Co. of Miami estimates savings through using Steeltex "averaged 19 percent over other systems." Architect: Roy F. France & Son, Miami Beach.

& Co., contractors for construction of the \$5-million Penn Township Senior High School near Pittsburgh.

More than 100,000 square feet of Steeltex was installed. "An alternate material would have taken three or four times longer to install than Steeltex," said Mr. Natali.

"We used five men to put down Steeltex in the length of time it would have taken 20 men to install a sheet material."

"On top of that," Mr. Natali continued, "there is less waste with Steeltex because it prevents drip-through of cement to the floor below by fitting snugly around protruding objects."

On Long Island, N. Y., at Plainedge High School, 150,000 square feet of Steeltex provide form and reinforcing for the roof and floors. Architects for construction were Jagow & Heidelberger, Hempstead, L. I.; Structural Engineers: David R. Maiman Associates, Valley Stream, L. I.

George F. Hayden, superintendent for the contractor, Paul J. Roche, Inc., Baldwin, L. I., has used Steeltex for 20 years. Today he still looks to Steeltex to help build stronger, more durable floors and roofs.

"There's no other type of reinforcing material more economical than Steeltex," stated Mr. Hayden. "It's easy to install, eliminates form work and makes for a better slab."

All these benefits of Steeltex—and more—can be put to work for you, too. All it takes is a phone call to the Pittsburgh Steel Products sales office nearest you. Trained engineers are available to help you solve your construction problems. Call today . . . you'll be glad you did tomorrow.



Hotel Embajador in Dominican Republic has 244,000 square feet of Steeltex Floor Lath supporting the floors and roof. Architect Roy F. France of Miami Beach says, "Steeltex brought 20 percent savings in time." Contractor: Merritt-Chapman & Scott Corp., New York.

See Sweets Catalog Section 2-B

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Are the railroads doing anything to improve freight interchanges?

On the Rock Island, Yes

to quote J. B. Buffalo, Chicago Division Superintendent

"A criticism often aimed at railroads," says Mr. Buffalo, "is that delays in switching from one line to another frequently nullify any claims the railroads make of fast, on-time performance.

"Let me set the record straight about the Rock Island. We're doing all we can to avoid delays of this kind by providing direct interchange with other lines at key points.

'On the Chicago Division, for instance, we can advance shippers' freight up to 500 miles by providing direct interchanges with the B&O, NYC, Wabash, C&EI, C&O (PM Dist.), CSS&SB, Erie, Monon, NKP, PRR, B&OCT, GTW, IHB, EJ&E, GM&O, and MC. We certainly urge shippers to take advantage of these direct interchange facilities and save themselves a substantial amount of priceless shipping time."

The Chicago Division, moreover, is not the only one offering direct interchange facilities. Here are other principal junctions where the Rock Island connects directly with other railroads:

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Amarillo, Texas-Santa Fe and FW&D

Dallas, Texas—FW&D, GC&SF, L&A, MKTofT, Frisco, StLSW, T&NO, and T&P

Denver, Colo. — D&RGW, C&S, and Santa Fe through joint CRI&P-D&RGW North Yard

Pullman, Colo. - Direct with UP at Pullman Junction (Denver), Colo. Eunice, La. -- MoP and T&NO

Fort Worth, Texas—FW&D, GC&SF, MoP, MKTofT, StLSW, T&NO, T&P, and Frisco

Konsas City, Mo.—Santa Fe, CB&Q, CGW, CMStP&P, GM&O, KCS, MKT, MoP, KCT Ry., Frisco, UP, and Wabash

Memphis, Tenn.-IC, L&N, Frisco, and Sou Ry.

Omaha, Nebr.—C&NW, CB&Q, CGW, CMStP&P, CStPM&O, IC, MoP, SOT Ry., UP, and Wabash

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Why do diabetic doctors live longer than other diabetics?

Anyone who develops diabetes can take hope from the personal experiences of doctors who have the disease. They have proved that by strict adherence to treatment, they can live almost as long and as actively with the disease as without it.

When mild diabetes is discovered early, it can often be controlled by diet alone, or by diet and exercise. In other cases, a combination of insulin, diet and exercise may be required.

New compounds, taken by mouth, appear to be beneficial in selected cases, usually those who have mild diabetes which developed after age 40. Their use, however, requires strict medical supervision . . . and their true place in diabetes treatment awaits further study.

Anyone at any age can develop diabetes, but your chances of doing so are increased . . . if you are overweight; if diabetes has occurred in your family; if you are between the ages of 40 and 65.

Today, about one million people in our country have diabetes and are getting treatment. Another million Americans have the disease, but are completely unaware of it. This is because diabetes, early in its course, causes no noticeable symptoms, and may not until it is well advanced.

So, everyone should have periodic health examinations, including simple tests for diabetes. And no one should delay seeing the doctor if any of the following common symptoms of diabetes should occur... weight loss despite constant hunger and excessive eating, increased fatigue during normal activities, excessive thirst and frequent urination.



If diabetes is found, the usual reward for obedience to the doctor's orders is added years of comfort and of life. Doctors know this . . . and that is why those of them who have diabetes live longer than other diabetics.

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and many others. Over the years we have proved in these industries that our manufacturing and research techniques successfully supplement those of our customers.

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Millions of operating dollars are waiting to be saved

(by plant managers who adopt organized lubrication)

Concept of Organized Lubrication to save cash in 5 areas of plant operation is proving to be a most fertile field for plant-wide cost control. Two reports now available from Texaco on opportunities, methods, case histories.

"Millions of dollars have already been saved in the operating costs of plants where management has recognized the importance of lubrication and has organized planned lubrication programs. Millions of dollars are waiting to be saved in plants where management has not yet become aware of the benefits of organized lubrication."

The entire July, 1958, issue of Lubrication magazine is devoted to "Organized Plant Lubrication." The statement above summarizes the issue's findings.

In effect, this and other writings on the subject reflect the fact that here is a relatively new and certainly fertile field for real cost savings in plant operations.

There's enough evidence in to cause excitement among the experts. Among the experts are the men who are putting Organized Lubrication to work—the plant managers and their team of engineers.

For, in assuming the large burden of satisfying the corporate measure of profit and loss on their units, plant managers have been quick to adopt new concepts and practices that result in plant-wide savings, such as planned overhaul, professionalized purchasing and organized quality control.

Most of these have been cost-controlling programs. So is Organized Lubrication. From the evidence in so far, this can prove to be one of the most fertile of the new plant managing practices.

Why? Because Organized Lubrication can create cash savings in five ways; in inventory, production, downtime, maintenance and equipment life. Once adopted as plant practice, Organized Lubrication is placed in harness by plant engineers, production superintendents, maintenance superintendents, and purchasing agents.

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Texaco's planning book has been studied and put to use. Some large corporations have adopted its recommendations on a staff level, or have set up committees to study the subject. Many plant units report savings from 10 to 100 times the cost of the lubricant used!

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BUSINESS OUTLOOK

BUSINESS WEEK OCT. 11, 1958



We've come a good way along the recovery road on (1) rising government spending, (2) sustained consumer spending on softgoods, and (3) a boomlet in housing. Now we need a new push, and you know from where:

The auto industry (first more production, and then sales).

Strikes held down last week's production of new cars to an estimated 33,000—a figure more typical of the first week of a changeover period than the fourth. And this week is being curtailed, too.

But there will be a rush to make up lost output from now on.

At first, this will not be truly indicative of customer demand; the makers have to stock their dealers. But it will formally inaugurate an upturn in manufacturers' inventories.

Others will protect themselves when they see auto makers buying.

Many purchasing agents, heretofore working on a hand-to-mouth policy, already have started to cover needs a little farther ahead.

You see that clearly in the steady rise in steel output. You can sense it in the price boosting in nonferrous metals.

Steel operations last week topped 1.9-million tons and, at the same time, 70% of capacity for the first time this year.

The orders that have been pushing the rate up steadily for three months include, naturally, some automotive business. But this buying has been far less, so far, than is required to support even the relatively conservative schedule calling for 1.4-million cars this quarter.

Prices of nonferrous metals have been acting just as though producers in this country hadn't a worry in the world.

That, of course, is largely a happy illusion. Buyers, prodded by speculative advances in London, have pushed prices up on themselves even though supplies in this country remain more than ample.

Copper has been aided, particularly on the London market, by the strike in Rhodesia.

In this country, the price easily might have advanced more than it has. Up to midweek, leading U.S. producers hadn't moved up to the new quotations posted by the custom smelters (in the same way that, a few weeks back, some refused to follow cuts by custom smelters).

Demand for lead and zinc picked up when the import quotas were imposed by the White House. Recent strength, however, seems more to reflect expectations that an international deal on output curbs will be signed.

In the case of zinc, for example, new figures this week showed that domestic output continued fairly low while shipments were the best in some time. Yet the stock at month end, as computed by the American Zinc Institute, was off only a few thousand tons from its peak and equivalent to three months' supply at July's shipment rate.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK OCT. 11, 1958 You are beginning to see some worried shaking of heads over housing demand even though homebuilding's upturn is only fairly started.

The concern centers, for now, on rental housing. Apartment building has paced the homebuilding recovery, but vacancy rates in a few cities now threaten to dry up the money supply for new projects.

Housing will roll along for some time on its present impetus.

The rise in starts that got under way last spring has only recently been showing conspicuously in the value of work done. July nosed ahead of last year, but still was well below the same 1956 month. In August, the gain over 1957 widened to 6% while 1956 also was topped.

And now the September estimate, which fell just short of \$1%-million, not only tops both previous years but isn't too far behind 1955.

Consumers are still cautious about borrowing, but they have loosened up a little bit—except in the case of automobiles.

Installment loans for purchases of merchandise other than autos have been rising moderately since April; personal loans have been going up steadily (though less sharply than in 1957); and loans for home repair and modernization are showing an uptrend for the first time in a year.

But auto debt has declined every month since last October.

Installment borrowing to purchase automobiles—new and used—in the first eight months this year fell to 91/2-billion this year from nearly 11.4-billion in the same period last year.

This should prove a twofold benefit to the automotive market:

- Debts have been reduced more than 6% from last October's peak.
- Repayments will be taking a smaller nick out of monthly income—after mounting steadily ever since the end of World War II.

Consumers' time-payment obligations, even though they have fallen slightly below last year's level, still amount to a pretty big lien against what people have to spend.

After all, personal income isn't much larger than it was last year, the recent rise only a little more than making up earlier losses.

The net of this is that installment debt still amounts to 10.7% of aftertax income, only a shade under last year's average. Emerging from the 1954 recession—before the 1955 credit spree—installment debt amounted to only 8.8% of disposable income.

Declining inventories didn't begin to make manufacturing operations look a great deal healthier until shipments stopped dropping.

But, in the last couple of months, new orders and shipments of manufacturers of durable goods have taken a turn for the better. And that is beginning to strengthen the inventory-sales ratio in fine fashion.

As recently as April, inventories were more than $2\frac{1}{2}$ times sales; now they are down to $2\frac{1}{4}$ times—the best in about a year.

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He has also placed his investment portfolio in the hands of Guaranty, enjoying the advantages of continuing supervision and seeing for himself the character of judgment and administration the bank offers through its current services. At the same time he is relieved of the many time-consuming details involved in the physical care and custody of securities. Any wonder the Guaranty customer relaxes with confidence?

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Suddenly it's dawning on them that the new small business investment company plan taps a whole market for long-term credit—with diversity and little risk.

Tax advantages of the SBI companies add to the attraction. Banks, development councils, and private investors show their interest increasingly.

And, when the SBIs start operating next year, small business will have a long-sought source of funds.

This summer, Congress tried to plug a wide gap in the nation's financial structure by authorizing a system of small business investment companies (BW-Aug.16'58,p38). Its purpose was simple: to extend to small businesses some of the same access to equity capital and long-term financing that large business enjoys.

Suddenly, it's beginning to appear that Congress opened up wider vistas than anyone had suspected.

No one in Washington was prepared for the interest that has been shown-not only by small businessmen who hope for loans but also, and more significantly, by bankers and big investors. The Small Business Administration, which is still drawing up regulations with publication about three weeks away, already has received well over 6,000 queries. At least half are concerned with investment possibilities.

• Wave of Excitement—With this kind of interest on the investment-opportunity side, the system of SBIs begins to look like one of the most important changes in business finance in many years. One Washington official hails it as nothing less than another wave of enthusiasm like that for the mutual funds.

Nobody ever doubted the demand side of small business financing. Congress has been puttering for years with such devices as SBA itself, hoping to cut the mortality rate of infant companies and to nurse little ones into hig ones.

The surprise in the reaction to the SBI scheme has been on the other side of the picture—the discovery that an unsuspected number of smart financiers think, if tax advantages are right, that there's money to be made in large

volume, long-term support for small, somewhat risky but fast-growing com-

• New Way of Lending—Unless SBA's code of regulations changes the pitch of the plan, SBIs offer a wholly new way of long-term lending plus long-term investment. To the investor, this means capital gains as well as carnings from interest on loans, with the risk reduced because losses can be written off against ordinary income. The plan puts some federal money behind the SBIs, yet vastly increases their influence by encouraging private investment many times greater.

As banks see it, the plan lets them reenter the field of equity investment and provide a financing service for customers they now have to turn

As big investors see it, the plan gives them a relatively risk-free way of backing small companies that have a chance to flourish and pay off someday in rich capital gains.

I. What the SBIs Are

The idea won't be tested in practice before yearend. After SBA issues the regulations, it will take time for interested groups to get organized, for states and SBA to issue charters, for money to be laid on the line.

SBA has a revolving fund of \$50-million to carry through next June 30 and \$200-million to be split between the next two fiscal years. This \$250-million is only the seed for the system; the bulk of the capital for the SBIs will come from private sources.

Emphasis is on wide distribution of the financial help for small business. SBIs will doubtless be spotted geo-

graphically where the need is greatest and the alternate sources of financing are fewest. Moreover, they are not allowed to tie up more than 20% of their paid-in capital and surplus in any one company they are helping.

• Forming an SBI—An SBI is a corporation set up by private organizers. They need a minimum of \$300,000 in capital to start with, but up to \$150,000 of this can be obtained from the Small Business Administration; SBA will buy debentures that are subordinated to all other paper except the common stock. There is no set time for redeeming these debentures, which will probably carry a 5% interest rate.

To add to its original working capital, an SBI can also borrow from SBA up to 50% of its paid-in capital and surplus, including whatever SBA provided by buying debentures. A minimum-sized SBI thus could borrow another \$150,000 at SBA's 5% or perhaps 5½% interest rate.

At the outset, it is clear from SBA statements that too much reliance on federal capital may stand in the way of SBI's approval. SBA says it will first approve SBIs that are wholly financed privately, next those that require no organization capital but want loans to build up their lendable funds, and finally those that need both kinds of help to get started.

• What They Do—The SBIs have only one function: to provide the small business with long-term funds, either through loans of up to 20 years (with a discretionary 10-year extension possible) or through purchase of debentures that are convertible into common stock at the creditor's option and at a "sound" market value fixed at the time the debentures are issued.

An SBI can borrow and reinvest as much as four times its capital and surplus, in contrast to regulated investment companies in the past, whose borrowing has been limited to one-third of their total assets. Thus, even the smallest SBI, with \$150,000 in private capital matched by \$150,000 from SBA, is empowered to line up \$1.5-million for investment.

The SBIs can deal only with companies that meet SBA's definition of small business. This definition varies according to the industry in which a company, partnership, or proprietorship is operating. Generally, however, the

term covers retail and service businesses grossing up to \$1-million a year, wholesale businesses grossing up to \$5-million. and manufacturing operations with up to 250 employees (in some industries, the ceiling rises to 1,000).

The program is sure to focus on the much smaller group of undercapitalized growth companies, chiefly manufacturers, to the exclusion of the family store

and the corner gas station.

Most loans will be small-people involved say few will exceed \$50,000 to a customer. They will be used chiefly to build working capital and to buy machinery and equipment. Beyond that, some big manufacturers and trade associations are thinking of SBIs to finance distributors at rates below the 10% or 12% that factors and industrial finance companies often charge.

· Cost of Money-Borrowers from an SBI will pay interest rates on the loans and convertible debentures set by negotiation within maximum rates set by SBA rules and state laws. Interest on the convertible debentures can be expected to run 6% or 7%, on the

straight loans 7% or 8%. Obviously, if the SBIs had to depend principally on 5% or 5½% loans from SBA for lendable funds, they couldn't coin money at such rates-the spread would barely cover their overhead. It's the other special features of the Small Business Act of 1958 that make the SBIs so intriguing to investors-such things as this:

· Dividends that an SBI receives through its ownership of stock after conversion of debentures are wholly exempt from the corporate income tax.

· Investors in an SBI, and the SBI itself in its dealing with small businesses, may deduct any losses from ordinary income instead of treating them as capital losses in figuring taxes.

· Securities issued by an SBI may be exempted by the Securities & Exchange Commission from SEC rules on registration and other details.

· An SBI, unlike a regulated investment company, can accumulate the dividends it receives from customercompanies, and there is no penalty under the tax laws. It can build up these carnings to plow back into more lending, or it can pay out in a poor year, when its stockholders' other taxable income might be low.

· Above all, the prospect is that an SBI will, in the long run, acquire the common stock of a few real growth companies, at a pre-boom price, with Uncle Sam sharing the risk but treat-

ing the capital gains kindly.

II. Gains for Investors

Talk to SBA officials and financial people all around the country, as BUSINESS WEEK reporters have done this

week, and you find a wide variety of people and institutions interested in the SBI program.

"The interest is almost unbelievable," says SBA's Chicago office. "We'ye had more than 25 inquiries a day, ranging from banks to CPAs."

People who have studied the program predict that banks and community development groups will dominate

the first batch of SBI approvals. But private investors will be in the running, too. As a retired broker in Chicago looks at it: "There's not a chance of making a quick buck on these new loans. But, for my money, there isn't

a sounder investment.'

• Private Investment-Interest of private investors is understandable. The SBI program appears able to absorb investment funds on a large scale, vet diversify the risks. Some such programs on a private basis have already been

planned or even operating.

In Jacksonville, Fla., for example, Frederick Schultz has been "lone-wolfing" in the very type of business the SBA plan outlines: providing small business with risk capital. Now he is organizing an SBI, with nine others-"all fairly young men who are interested in industrial and community development." Schultz and his partner, J. G. Montague, feel their experience in risk situations will be the key to success.

In Pittsburgh, William C. Rogers, who works with a Pittsburgh brokerage house, more than a year ago incorporated a company called Financial Aid to Management, Inc. (Rogers refers to it as Fatman). If the SBA regulations look attractive, Fatman will apply for

a charter as an SBI.

Fatman, too, relies on the broad experience of its directors: a CPA, a tax attorney, an insurance broker, a stock broker, and a radio-TV newscaster. Its 25 stockholders have pledged the full minimum capitalization of \$300,000.

In San Francisco, a private group is organizing an SBI to be known as Pacific Coast Small Business Investment Co., with 10 men committed to investing \$15,000 each and prepared to multiply their stake. This group plans to try to take advantage of SBA's help in capitalizing-a matching \$150,000 in this case-and is puzzled by reports that SBIs needing no help will be favored in the granting of charters.

The group is attracted by "the opportunity-with risk, of course-of getting in on the ground floor of a small company, giving it the benefit of sound management and financial advice, hanging onto the convertible debentures for the long pull-maybe five or six years, maybe only four-and harvesting the

fruits of capital appreciation."
In New York, Theodore H. Silbert, long an advocate of help for small business, announced a candidate for SBI

status on the day the bill became law. His Standard Financial Corp. has \$500,-000 worth of private capital, and he plans to form similar companies in Dallas, Los Angeles, Chicago, and possibly Philadelphia.

· Area Development-Private groups are flocking to SBA offices to ask about the SBI plan, while state and local municipal groups automatically come under a special provision of the new law: Instead of being limited to \$250,-000 from SBA, they can now get up to \$250,000 for each secured loan with a

specific small business.

Typical of the private regional groups is the Western Idaho-Eastern Oregon Industrial Development Council in Boise, Idaho. It has already announced plans to apply for an SBI charter and to sell \$150,000 worth of stock locally. Then it would ask SBA for another \$150,000 of capitalization and for a loan of \$150,000. Its organizers are businessmen representing localities in the area, which want to encourage small manufacturing.

• The Banks-The real surprise among interested groups has been the banks. In almost all parts of the country, banks lead all other categories. Two quotations from Chicago-area bankers contain most of the reasons why:

"We might not make a nickel out of the dividends from such a setup, but it is valuable to us as a way to develop customers for other bank services.

"It is a way in which we can get into areas of investment that we are not

permitted to go into now.'

Pres. William M. Jenkins of the First National Bank of Everett, Wash., (associated in an SBI application with three other Snohomish County banks) sees public relations as a prime reason for going into the new plan. People come into the bank to borrow more capital, he says, and don't understand why they are turned down for lack of enough equity in the business. They have put all they have into the business and have nowhere else to

"Now," says Jenkins, "we may be able to help him by referring him to the small business investment company, and this helps a bank's relations in the business community.'

Not all bankers applaud the SBI scheme. A Seattle bank official takes a sour view of the convertible debenture type of financing. An SBI, he says, may wind up with "a minority stock ownership with all the handicaps of minority stockholding." A banker from a small city in Montana doesn't think bank participation in SBIs is even good public relations.

"In a small city," he says, "it may be taken as a sign of further domination of small business by banks-and that's

public relations dynamite."



COMET IV, over New York's International Airport, is one of pair that score . . .

A First for Britain

Moving swiftly, with perfect timing, BOAC wins the race to start transatlantic jet passenger service. Rueful Pan Am says it will follow quickly.

Britain, snapping back from the humiliation of its America's Cup racing yacht, last week scored a somewhat more important victory: Its Comet IV became the first jet transport to carry paying passengers across the Atlantic.

What's more, British Overseas Airways Corp. did its winning with truly elegant timing, getting planes aloft both eastbound and westbound scant hours after the Port of New York Authority had granted the key permission to use the International Airport. And BOAC accurately called its publicity shots before the permission was granted.

• Early Claims—It was a dramatic climax to a race that really warmed up in mid-September when Pan American Airways—whose Boeing 707s were the Comets' only serious rivals for the transatlantic first—announced it would start service in October. At the time, BOAC was aiming at a December start. Both, of course, had to wait for Port Authority permission, hinging on the velume of sound generated by the giant jets.

Still in September, the International Air Transport Assn., meeting in France, heard a rumor that BOAC and Pan Am had reached a gentleman's agreement to begin service simultaneously, perhaps late this month.

Then, early last week, BOAC began to steam things up. Managing director Basil Smallpiece told reporters in New York that "We can start service anytime." No one realized how literally he was speaking.

• Reporters on Hand—With the Port Authority ruling expected for Friday, BOAC flew in a planeload of British reporters and encamped them at the Overseas Press Club. When the news that service would begin failed to materialize, the confident Britons filed their stories anyway, anticipating a Saturday start. By evening, BOAC said it was so at a gay celebration, and on Saturday morning the planes took off, one in each direction, pleasantly filled with guests, some of them paying

For BOAC it was a happy rebirth of hopes that had seemed to die back in 1952 when the original Comet IIs went into service and then had to be grounded after a series of fatal midair explosions.

• Pan Am Reacts—For Pan Am, the occasion was less happy. But the huge U.S. airline quickly recovered sufficient aplomb to utter a loud objection. In effect, Pan Am charged that the Port Authority's noise-abatement rules were (1) much too stiff for both the Boeing 707s and the Comet IVs, and (2) that

the heavy, powerful 707s got a much worse deal than their lighter British rivals.

The Port Authority rules protested by Pan Am go something like this:

Whenever possible, the jet transports must use International Airport runways that lead them out over Long Island's Jamaica Bay. At night, when noise is considered more offensive, only two runways can be used, both leading over the bay.

 When wind or weather force the use of runways that lead over communities, the planes must turn away at the first possible moment.

• The jets, when forced to pass over communities, must fly at a minimum of 1,200 ft., and the engines

cannot maintain full throttle.

Pan Am argues that "both the 707 and the Comet will be equal to or better than current propeller-driven aircraft with respect to community noise in the daytime. This must be equally true during the night hours."

• What Kind of Noise?—The Port Authority disagrees, basing its views on "perceived noise"—in effect, the disturbance caused to people—rather than on the more objective measure of decibels. The authority says that jet liners at 1,200 ft. actually bother people more than Super-Constellations clear down at 360 ft.

Pan Am is particularly aggrieved by the 1,200 ft. floor and the throttling back rules. This means, the line argues, that the 247,000-lb. 707s will be forced to reduce both payload and initial fuel load, thus cutting revenue and adding the cost of extra refueling stops. The Comet IV, which weighs only 156,000 lb, and carries fewer passengers than the 707, is less troubled by the regulations. On its first flight from New York, it reached 1,800 ft. while still over the airport, and it has no trouble heaving itself up to the 1,200-ft. minimum with a full load of fuel. All this is very saddening to Pan Am, which had counted on the 707s being more economical to operate than the

• Daily Service—Sadness, however, did not prevent the airline from snapping back with more than a protest to the Port Authority. By last Monday it was announcing in double-page newspaper spreads that it would start daily service from New York to Paris and Rome on Oct. 26. By mid-November, it promised service to London, also on a daily basis, as against BOAC's present weekly schedule (page 121).

The trade believes that Pan Am will be able to live with the New York restrictions. If it can't, there are always such spots as Boston's Logan International and Baltimore's Friendship, which would love to get the jet to the

World Bankers Set 10-Year Goals

New Delhi meeting of World Bank and Monetary Fund aims to counter Soviet inroads by bridging economic gulf between advanced and underdeveloped lands.

There'll be no agreed blueprint, but lines of action
 both orthodox and novel—are shaping up at New Delhi.

Central bankers and finance ministers don't ordinarily let themselves in for long-term economic planning, either on the national or international level. But this week in New Delhi, India's capital city, the money managers of some 65 Free World countries have been involved in a stupendous planning job. As delegates to the 13th annual meeting of the World Bank and International Monetary Fund, they have been charting a course for the Free World economy over the next decade.

The New Delhi session isn't quite comparable to the lengthy conference at Bretton Woods (N.H.) in 1944. When that conference created the World Bank and the IMF, it was producing something entirely new and, to many critics, something dangerously unorthodox.

By contrast, the chief order of business at New Delhi has been a U.S.-sponsored plan to increase the resources of these two well-established and now reputable institutions. The idea is to build on the considerable achievements—in promoting economic growth and financial stability—of the Bank and the Fund in the industrially advanced parts of the Free World.

Even so, a decade from now the New Delhi conference may be paired with Bretton Woods as one of those occasions when a broad new course is charted for the world.

• Economic Marriage—For New Delhi is doing more than approving new resources for the IMF and the World Bank (page 101). This conference also is trying to establish a working relationship, or economic marriage, between the developed and the underdeveloped nations of the Free World—a relationship strong enough to withstand any serious encroachments by the Soviet bloc.

The problem of economic development was uppermost in the mind of India's Prime Minister Nehru when he opened the conference. In an impassioned speech, Nehru claimed that the great gulf in the world today is not between capitalist and Communist nations but between the wealthy industrialized countries and the poverty-stricken underdeveloped countries.

As if to bridge this "Nehru gulf," as well as to counter the Soviet economic offensive, the U.S. delegation went to New Delhi with a proposal to add a development-priming affiliate to the World Bank. This proposed agency already has been named the International Development Assn. (IDA).

I. Glimpse of What's Coming

The Free World's money managers had no intention at New Delhi of blue-printing the next decade or even trying to establish agreed targets.

But it is already clear that the delegates had certain broad goals.

For the industrialized countries:
 Widen the area of liberalized trade,
 establish general convertibility of currencies,
 stimulate private investment,
 and encourage free market forces.

• For the underdeveloped countries: Push economic development at a faster pace than population is increasing, so that living standards can rise rapidly enough to underpin a democratic way of life. This obviously requires a vast flow of capital from the industrialized countries and new investment techniques.

None of the central bankers and finance ministers is likely to predict how close the Free World may come to achieving these goals, though in corridor exchanges at New Delhi there were some rough estimates.

 Main Lines—On the basis of these, and the informed speculation of government and company economists here and in Western Europe, it is possible to forecast at least some of the main developments of the next few years assuming, of course, that the cold war gets no worse.

Some of these developments are right in line with the original Bretton Woods goal—a multilateral system based on relative freedom for trade, convertible currencies, and a large flow of private capital. Other trends suggest that there will be as many departures in the coming period from this Bretton Woods orthodoxy as there were in the first postwar decade. These will come especially in the underdeveloped areas.

· Orthodox Track-Along the lines of

the original Bretton Woods goals, here's what it seems safe to forecast:

 International trade will continue to expand, but more slowly—probably at a rate of 3% a year. This would put world exports in 1968 at around \$135billion, up from just over \$100-billion in 1957. There will be continued progress in removing quota restrictions against dollar goods.

• The British pound will become freely convertible, except for residents, and will remain a key currency in world trade. As a result of this and the Common Market, the European Payments Union will disappear and a "European Fund" be established.

• Private investment will play an increasing role in promoting industrial development in such semi-advanced countries as Mexico, Brazil, Argentina, South Africa, Australia, and New Zealand. This will come largely from the U.S. but also from Western Europe. U.S. private investment abroad, which now totals \$37-billion, may reach \$70-billion in 10 years.

 Free market forces, which were heavily discounted in many parts of Western Europe until recently, will assume a larger role in the economic relations of the advanced and semiadvanced countries.

Boosts Needed—These developments won't be automatic, however. They will be underpinned by short-term credits from the IMF and long-term World Bank loans. Some financial experts think that before the decade is over, the IMF, to do its job, will have to have a new constitution and create credit as a commercial bank does.

It is also assumed, of course, that full employment policies in the large industrial nations will continue. The IMF today regards the successful application of these policies as a barrier to violent trade fluctuations and a guarantee against a serious world slump.

II. New and Unorthodox

The new and unorthodox developments that lie ahead probably will be concentrated mainly in the underdeveloped areas. Here is what seems to be likely:

 Regional trading groups (or "common markets") in Latin America, and perhaps in Southeast Asia.

• A regional development bank and a regional payments union in Latin America, with the U.S. contributing to both. Probably a payments union linking Japan with Southeast Asia, based on the ven but with the U.S. involved.

• Commodity agreements that would try to smooth out price fluctua-

tions by production or export controls, though not by price-support schemes. The U.S. already is backing such a scheme for lead and zinc. According to British thinking, the Russians would have to be included in some of these.

• A larger flow of public investment than of private capital to the underdeveloped countries of Africa and Asia. Some of this will be in the form of fully repayable loans from the World Banks, indirectly backed by private capital through the sale of World Bank bonds. If the proposed International Development Assn. is established as an affiliate of the World Bank to grant soft loans (loans repayable in local currencies), then the share of public investment will be even larger.

• Equity Financing—There's a possibility of a more orthodox flow of development capital through the new IDA. Under discussion at New Delhi was the idea of having the IDA make equity investments in underdeveloped countries—even investing in something like equities in government projects. These would not involve fixed payments for either interest or capital, and therefore would not strain the financial resources of underdeveloped countries any more than soft loans would.

III. New Problems, Too

The thought of a Free World economy with such a mixture of orthodox and unorthodox practices gives some U.S. and European economists the shivers. But in the marriage of industrialized and underdeveloped nations discussed at New Delhi, there may be even more dilemmas.

One of these already has appeared. It's the problem raised for the underdeveloped countries and the semi-advanced nations by the fight against inflation in the advanced nations. According to many economists, the recent anti-inflationary policies of Western Europe and the U.S. have been largely responsible for the recent drop in commodity prices and export income of many raw-material producers.

Also it looks as if the tight monetary and fiscal discipline that will be used to keep inflation in check here and in Western Europe will tend to keep interest rates all over the West at a high level. If that happens, it's bound to slow the flow of new capital to the underdeveloped areas.

Then, of course, there's the question of relative growth rates of the capitalist and Communist worlds. Some observers argue that if the West can do no better than the 3% or 4% a year growth rate that appears to be quite possible in the period ahead, the Communists are sure to win the East-West struggle in the end



GAS HILLS area of Wyoming hoards nation's second-largest uranium ore reserves.

AEC Breaks Uranium Log Jam

Commission is seeking Washington approval to award contracts for new mills to two companies, and to permit three others to expand existing facilities.

Just a year ago, the Atomic Energy Commission announced that it would stop contracting for new mills to process uranium ore. This was a staggering blow to the uranium industry, which, for more than a decade, has been encouraged to prospect for and to produce all the ore it could—with a market guaranteed by AEC. In the early 40s, uranium ore reserves in the nation were counted in the thousands of tons. Now, known reserves are estimated at 80-million tons; and in the first half of 1958, about \$107.5-million worth of concentrate was produced.

Last week, at a meeting at Grand Junction, Colo., with uranium industry officials, AEC broke the log jam on milling contracts in the rich Wyoming uranium area. The commission made a tentative agreement—subject to Washington approval—to award new milling contracts to Federal Uranium Corp. of Salt Lake City and to Union Carbide Nuclear Co. (a division of Union Carbide Corp.). The Federal mill will process 525 tons of ore a day, with Union Carbide handling 492 tons. New mills will cost about \$3.5-million each, and take about a year to complete.

In addition, three companies with mills now operating or under construction will get the green light on expansions: Lucky Mc Uranium Co. (controlled by Utah Construction Co.) will get a go-ahead to increase capacity from 750 tons to 1,000 tons a day; Fremont Minerals, Inc. (a subsidiary of Susquehanna Corp.) from 500 to 725 tons a

day; and Western Nuclear Corp. from 400 to 845 tons a day.

• One Customer—No license or other form of AEC permission is necessary to build a uranium processing mill. However, for all practical purposes, the government is the only customer, so in practice nobody builds a mill unless and until he has a government purchase contract. Licenses must be obtained to transport uranium from the mine to the mill, and licenses are required for sale of uranium or concentrate to the government or to private customers. But these licenses are almost automatic.

AEC takes no part in the financing of new mills, but a provision of the new tax law makes uranium mills eligible for rapid tax amortization—providing that existing facilities are not suitable because of location.

• Critical Areas—Last week's milling allocations—even though tentative—took some of the pressure off an explosive situation. The rich Gas Hills area of Wyoming had been the last major field to be developed—and it was big, second only to New Mexico's Ambrosia Lake. Operators had spent millions in finding and developing ore bodies. But without mills, the companies had no market.

Last April, AEC announced that it would consider new mills in critical areas, where ore had been discovered and developed in quantity before Nov. 1, 1957. The big area was Wyoming.

 Screening—Because it had more applications for mills than it could handle, AEC analyzed the claims of the applicants. Then it allocated mining tonnages to these companies-in effect agreeing to provide a market for so many tons from each company. Then the companies seeking mills were told to come back with enough mining assignments to justify their mills. In this way, companies with ore were assured a market and the mills were assured enough ore to operate profitably.

The result was last week's tentative agreement, which Washington is ex-

pected to O.K.

· Pending-Meanwhile. AEC is nearing milling solutions for other smaller, critical areas. These include Southeast Texas, where AEC believes a 600-ton mill is justified. Palangana Corp. (a subsidiary of Union Carbide and Columbia-Southern Chemical Corp.) is near agreement with AEC for a mill in Duval County, Tex. International Resources, Inc., has plans pending for a mill at Bowman (N.D.) to process lignites. Apex Minerals Corp. expects to build a 200-ton mill at Austin, Nev. And in Colorado, several companies are competing for a 200-ton mill.

All in all, there are now 23 mills operating or under construction. Six additional mills are due for approval within a few months, and three will be expanded. This will bring milling capacity to 23,755 tons of ore a day; and investment in uranium mills will top

\$154-million.

· Renegotiation-Currently, mills buy ores from mining companies on a price scale-varying according to grade-set by AEC. The mills then sell concentrate, or yellowcake, to the government at a price negotiated at the time the mill is approved. During the first half of this year, this price averaged \$9.34 per lb., but is decreasing steadily as improved milling practices are developed. After 1962, the government price will be \$8 a lb. Most of the mill contracts being negotiated now call for about \$8 per lb.

AEC also is renegotiating various mill contracts, in order to bring down the price paid for yellowcake, and is curtailing mills that have been producing far in excess of rated capacity. Mills, in turn, are renegotiating with mines to

curtail production,

· Curb on Production-Currently, ore is being produced at about 460,000 tons a month. Yellowcake is purchased by AEC at its Grand Junction facilities at about 1,200 tons a month, and will increase as new mills are completed.

But after the current batch of mill approvals, there are apt to be no new mills for some time. Also, explorationwhich has been on the wane for two vears-is becoming a thing of the past. The U.S. still buys ore from other countries on long-established contracts -particularly from Canada and the Belgian Congo. But AEC has signed no new contracts in recent years.



Potter Stewart

New Man on High Court Won't Shift Balance

Potter Stewart, at 43, this week became Pres. Eisenhower's fifth nomination to the U.S. Supreme Court. Stewart, a Republican from Cincinnati, replaces another Ohio Republican on the court, Justice Harold Hitz Burton, who is retiring at 70. The nomination came just a day after the public announcement of Burton's resignation.

The new justice is a Yale man, and practiced law in Cincinnati with Dinsmore, Shohl, Sawver & Dinsmore. He is considered a "conservative"-but he resists labels. "I'd like to be thought of as a lawyer," he told reporters this

Stewart is held in high regard in legal circles. The opinions he has written on the Court of Appeals-which serves Ohio, Michigan, Kentucky, and Tennessee-are considered outstanding ex-

amples of legal writing, He has supported integration in Ohio public schools; dissented against depriving a labor union of access to the National Labor Relations Board because a union official may have filed a false non-Communist affidavit (his position was later upheld by the U.S. Supreme Court) and he has been insistent on fair procedure in prosecuting accused criminals.

Justice Burton, the man Stewart replaces, also was considered a conservative, though he swung between liberal and conservative positions since his appointment in 1945 by Harry Tru-

IGY Stretchout

Committee assaying results of the geophysical year wants to keep the international cooperation going.

The International Council of Scientific Unions, parent of the 18-month International Geophysical Year which ends Dec. 31, this week set up its plans for appraising the fruits of IGY. At the same time it took action to continue major programs beyond the cutoff date.

The Council, holding its eighth general assembly in Washington, approved

these major projects:

A special committee for inter-union cooperation in geophysics will be created next July 1, taking over the job of the six-year-old IGY committee. The new group will process the data amassed by IGY, and will finance and promote worldwide cooperation "in use and analysis of the data." The older IGY group will do the spadework, in the period from December to July.

A committee on space research (COS-PAR) will be set up to prepare, by the end of next year, a program for longterm international coordination of space exploration, and for swapping information. Both the U.S. and Russia have asked the United Nations to set up such a group, to insure that outer space will be used only for peaceful purposes. U.S. officials have indicated that they would leave the job to COS-PAR, if it drafts an acceptable plan. Any such plan would seek to establish:

· Priorities for the order in which projects are to be undertaken.

· Approved procedures determining how the projects are to be carried

· Mechanics of coordinating various projects, to achieve a maximum of cooperation and a minimum of dupli-

· Exchange of information among different groups working in the same

broad area of knowledge.

· A plan for making satellite vehicles available to scientists in countries that possess none. This point is the only one with which the IGY committee has not already wrestled.

A committee on contamination by extra-territorial exploration was unanimously approved, with the U.S. and Russia voting together for once. Its job: to draw up a formal code to prevent the contamination of the natural environment of moon and other space bodies in the course of lunar probes.

So much fuss over the possible contamination of the moon was raised at the general assembly that the U.S. has already agreed to apply a chemical disinfectant to the satellite it plans to shoot at the moon on Saturday. Scientists of all nations agreed that the hope of making accurate observations in the future should not be jeopardized by putting living organisms, say, or radioactivity on the moon, whether it be by an atom bomb or the dropping of a bucket of paint. All hands agreed that the small U.S. projectile would not damage the moon, in the remote event that it scored a direct hit, but the disafectant was added to prevent biological contamination which might confuse later scientific probes.

Oceanic and Antarctic research will

Oceanic and Antarctic research will be carried through by two new committees. The first big project on the books is a 1962-63 survey of the Indian Ocean, the last major body of water that remains largely unexamined. Implicit in the oceanographic studies is the problem of getting rid of wastes. Nuclear waste cannot be dumped safely until a lot more is known about where deep ocean currents will carry it.

The regular and special world days set up by IGY will be continued by the International Union of Radio Sciences, one of the 13 scientific agencies that are members of the international council along with 43 nations. Scientists at Fort Belvoir will have the job of notifying geophysicists all over the world whenever unusual solar activity is expected, so that they can synchronize their observations.

The reporting of sea level observations will be put on an annual basis by the permanent service set up at Liverpool. Hitherto, the observations were made at four-year intervals.

More Training for Job

Reversing U.S. moves, Russians plan to shorten education program in secondary schools, emphasize vocational training for work in industry and on farms.

Premier Khrushchev's newest effort to reshape post-Stalin Russia is a sweeping program for overhauling the educational system. He wants to swing the Soviet system more toward vocational training and screen more effectively the students trying to enter universities.

In a memorandum published in Moscow last week, he made it clear that Soviet society has a ready stock of brainpower, but also a real shortage of manpower to work in industry and on farms. And he wants to swing toward practical training—at the same moment that U.S. schools, with one eye on the Russians, are trying to encourage more study of the sciences and abstract disciplines.

Under Khrushchev's new plan, boys and girls will get only eight, instead of 10, years of primary and secondary schooling. At age 15, they will spend several years on a job—in factories, on farms, or at schools attached to them—before trying to gain admission to universities and technical institutes.

• Radical Change—Khrushchev's aim seems to be a radical modification of the much-vaunted educational system that has so impressed U.S. educators since the launching of Sputnik I a year ago. Moscow's prowess at building and launching satellites seemed to prove beyond a doubt that its schools for engineers and scientists are equalling—perhaps outstripping—schools here in both quality and numbers of graduates.

But over the past year, Moscow has hinted that the emphasis on an educated clite contains hidden dangers. For one thing, too many young people aim to get a university education without knowing what they want to do afterwards. Just as in the U.S., they discover that they don't like the profession they have chosen—and then waste the education already invested in them by getting more training in another line.

Beyond that, there are too many Soviet "high school" graduates competing for the limited number of openings in universities and institutes. This has stirred up all sorts of troubles. The growing "middle class" is taking a snobbish attitude toward what Khrushchev calls "useful work," even when their sons and daughters can't make the grade in passing university entrance exams. To top it off, Soviet parents, like their counterparts here, often put pressure on universities to get their children admitted.

As Soviet students cynically say: "Once competitive entrance exams have been held, then the competition between parents begins—and often that decides everything."

• Manpower Need-At bottom, however, Khrushchev's new program stems less from social factors than from the basic needs of the Soviet economy. Moscow is continuing to push expansion of industrial and agricultural output. Soon, it will announce new, ambitious economic targets to be met under a Seven-Year Plan running from late 1958 to 1965. At the same time, Moscow has to cope with a war-created shortage of manpower entering the labor force. The new schooling program will help solve this problem by putting between 2-million and 3.5-million teen-

agers into the labor force each year.

Against the backdrop of changes in Soviet society over the past two years, the educational reform is no surprise. Khrushchev already has tackled the problem of cutting bureaucratic red tape in Moscow and boosting industrial production through a program of decentralization of industry management. He also has tried to raise farm output by eliminating machine-tractor stations and modifying compulsory deliveries of farm products to the state.

The education system has been under the gun for the past year. Moscow has been playing up schools that teach industrial skills. It has been experimenting with schools that send students to nearby production lines one day out of three. It has encouraged universities and institutes to give first choice to applicants who have spent time on "productive" jobs.

Khrushchev thinks that under the new system, which will take effect over a three to four-year period, Soviet teenagers will be better able to find their place in society and to understand what jobs or professions they are suited for. There will be arrangements for parttime study in the interval between high school and university. "But at first a young person must do this at an evening institute," Khrushchev says, "without any break from production."

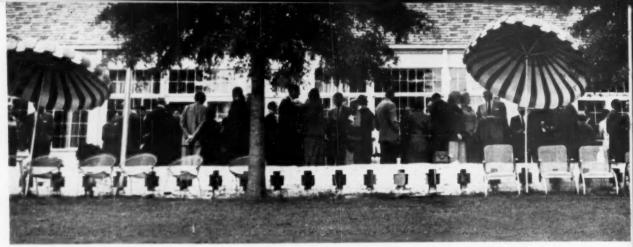
• Special Cases—Still, the system clearly makes allowances for specially gifted children. Children with unusual ability in such fields as mathematics, physics, music, and art will go to special secondary schools after their regular high school courses—and then to universities with hardly any break for manual work.

In many ways, the school reform adds up to an elimination of inefficiencies and deadwood in the existing education system. Khrushchev implies that while city children want what amounts to too much education, farm children aren't getting enough. Some 20% of children in rural areas and smaller cities don't even finish a seven-vear program. In fact, Khrushchev indicates that Soviet educational facilities at the primary and secondary level are not so plentiful and adequate as Western observers had thought. Thus, the new eight-year program would seem to be a middle ground, between those scrambling for the privileges of higher education and those hoping simply to get their full secondary schooling.

• Possible Effects—Some Soviet teach-

Possible Effects—Some Soviet teachers fear the new system will lower educational standards. Western observers in Moscow wonder whether it may eventually cut off Russia's supply of brilliant scientific talent.

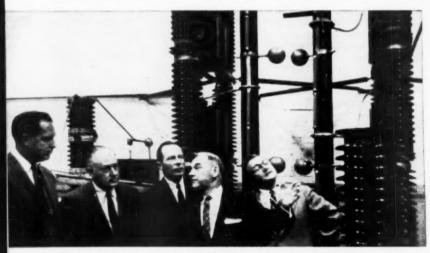
Khrushchev's answer is that the system will save higher Soviet education for those mature and talented enough to make the best use of it.



INDUSTRIALISTS visit Hope Valley Country Club, one of the attractions Durham plugged at its "Salute to Industry" party.



TOBACCO auction draws (left to right) Virgil Hager of American Tobacco; H. E., Hussey of General Telephone Co. of the Southeast; International Harvester's Frank Jenks; George Turner of American Suppliers; and Donald Power of General Telephone.



DUKE'S Dean Seeley (pointing) shows off high voltage apparatus in laboratory to Ray H. Herzog of Duplicating Products Div. of Minnesota Mining & Mfg.; Maurice Goodman of BSF Corp.; Ray Eppert of Burroughs Corp., and Lloyd U. Noland, Jr., of Noland Co.



HOSTESS Mrs. Hubert O. Teer demonstrates Durham's "gracious living" to Dr. Frank Stanton (left), president of Colum-



bia Broadcasting; U. S. Sen. B. Everett Jordan of North Carolina; and John Smith, president of Seaboard Air Line RR.

Durham Finds a Way To Lure Top Brass

The men pictured on these pages are a sampling from the jackpot of brass that Durham, N. C., hit when it threw a party last weekend to introduce business officials to the charms of Durham as an industrial site.

The idea for the party was born about two months ago, when Durham's Committee of 100 trekked north to give an appreciation dinner for New York officials of several of Durham's new industries. The Committee of 100 is a group dedicated to bringing in new industry and serving existing industry in the Durham area.

Flushed with the success of the New York dinner, the group decided to throw a whopping big party in Durham, to be called "Durham's Salute to Industry." J. Fleming Wily, vice-president of the Durham branch of Wachovia Bank & Trust Co. and chairman of the committee, picked Paul Wright, Jr., president of Durham Bank & Trust Co., as chairman of the arrangements committee.

• Big Name Guests—Wright first lined up Gov. Luther H. Hodges. Then Durham representatives of national companies began to call their top bosses. H. E. Hussey, president of General Telephone Co. of the Southeast called Donald C. Power, president of General Telephone Corp. Dillard Teer, vice-president of Nello L. Teer, roadbuilders, invited the man who makes some of his equipment—Frank W. Jenks, president of International Harvester Co.

At one point, Wright called the president of a company to invite him to the party-and the man declined. Wright began to reel off names of those who had accepted. His prospect made a prompt switch: "I'll come. It'll be worth my time if I don't do anything but talk to those men. With that bunch, you could rearrange the U.S. economy. · Soft Sell-The committee at first had planned to give its guests the hard sell-Durham as a site for industry. As the party grew, committeemen decided instead to emphasize Durham as a city of gracious living, nice people, the home of Duke University, and neighbor to the University of North Carolina and North Carolina State College. Duke, Carolina, and State form what is called the Research Triangle of North Carolina. In the center of the triangle, a private corporation is planning a re-



FOOTBALL fans watch Duke's Blue Devils defeat Illinois at Duke Stadium. Among the audience are (left to right) Carl Harris, vice-president of Erwin Mills; Sen. and Mrs. Jordan; and Dan E. Taylor, president of West India Fruit & Steamship Co.

search park where private companies may build facilities that can draw on the brains, libraries, and laboratories of the three schools.

Among the attractions of the triangle are the nation's first privately owned and operated atomic reactor at State College in Raleigh; a Van de Graff accelerator at Duke; medical schools at Duke and Chapel Hill; and established research in pharmaceuticals, chemicals, electronics, forest products, ceramics, food products, and textiles.

· Program-On the first day, guests were taken on visits to local industries such as American Tobacco Co., where Virgil Hager, vice-president of the company, dropped his role as guest and became host to such visitors as Edward I'. McCormick, president of the American Stock Exchange; Donald C. Power of General Telephone Corp.: Frank Jenks of International Harvester; and A. L. M. Wiggins, chairman of Atlantic Coast Line RR.

That evening, the committee held a cocktail party at Hope Valley Country Club, followed by a buffet supper. Gov. Hodges made a five-minute talk, stressing North Carolina's cultural attractions, and told guests that in his state they would find "a friendliness and an interest in you, both personally and

corporately.' At 10:30 next morning, television station WTVD entertained at brunch, and later chartered buses to transport the party to Duke Stadium to watch Duke's Blue Devils defeat Illinois 15-

13

· Reaction-Reports from the committee's listening posts indicate that the shindig did a fine job of selling Durham. James H. Hoffman, president of Mansfield Tire & Rubber Co., commented that "It's just this sort of thing that makes my company interested in the South." Ray R. Eppert, president of Burroughs Corp., declared that "We've got to do this in Detroit." Maurice Goodman, president of BSF Corp., said that "We might very well find good use in our company for this research triangle." Harry A. deButts, president of Southern Railway System, stated that "I've been to nothing similar."

But the most enthusiastic reaction came from Gen. David H. Baker, president of Capital Airlines. Baker had planned to fly in for the Friday night party, then go up to the Army-Pennsylvania game on Saturday. After grasping the caliber of those at the party, he said: "Why didn't you tell me what this thing was? I've made more contacts under one roof than I have in many a day. I'm staying over.'

Baker summed up the big reason so many top executives attended. Anyone at the Durham weekend party was in high cotton indeed.

Third Quarter Profit Results: A PREVIEW

(based on companies with early-starting fiscal years)

, and the same and	THIRD QUARTER PERCENT CHANGES FIRST NIN {1958 vs. 1957} PERCENT				PER SHARE EARNINGS	
	SALES	NET EARNINGS	SALES	NET EARNINGS	THIRD QUARTER	FIRST
American Enka*	+ 1.5	+ 36.7	+ 0.6	-77.4	\$0.11	\$0.01
American-Marietta*	+ 20.7	+18.1	+13.7	+ 2.0	0.61	0.68
Amer. Photography Equip. *	+ 23.3	+ 23.0	+18.5	+22.5	0.67	1.37
Avco Mfg	-17.4	+ 34.2	-15.8	+21.2	0.14	0.66
Beatrice Foods*	+ 1.6	+ 3.7	_	-	_	-
Belmont Iron Works*	- 24.0	- 66.9	-16.4	-45.6	0.73	2.91
Carrier Corp. **	+ 1.5	+25.2	- 5.2	- 9.9	1.21	1.42
Caterpillar Tractort	+11.0	+42.3	-13.1	-31.4	-	-
Celotex Corp. **	+ 3.1	+ 2.4	- 3.6	-31.5	-	_
Chain Belt Co. **	+ 0.8	- 3.5	- 6.6	-21.9	1.35	2.22
Crossett Co. *	+ 0.1	+ 0.7	- 2.7	-12.4	0.46	0.76
Dresser Industries **	-22.1	-53.1	-14.5	-49.4	0.53	1.08
Eagle-Picher Co. *	-15.8	- 56.1	-22.3	-60.4	0.40	0.91
Ex-Cell-O Corp. *			-21.7	-31.6	0.69	1.45
Fairmont Foods *	- 7.1	+ 6.5	- 2.1	+ 5.1	0.68	1.41
Firestone T & R *			-10.1	-21.2	1.64	2.52
Fluor Corp., Ltd. **	- 5.7		-23.2		0.78	1.02
General Shoe **		+ 32.5	- 3.6		0.37	0.77
H. W. Gossard *	-	+24.5	-	+ 3.5	0.32	0.96
Hooker Chemical *	- 0.9	+ 3.6	- 3.5	- 3.2	0.34	0.69
Int'l Harvester **			- 8.9	- 6.4	0.62	
Koehring Co. **			-22.4		0.15	
Lee Rubber & Tire **			← 4.0		0.63	
Leeds & Northrup *			-		0.13	
Lukens Steel *	-27.1	-79.4	-19.0	-57.4	0.51	3.20
Miehle-Goss-Dexter **			-15.0		0.25	
Mueller Brass *		34.2	-13.0		0.41	
Reliance Elec. & Eng. **			-25.0		0.65	
Saco-Lowell Shops *				+1055.8	D1.09	
Safeway *	. + 3.	4 + 2.6	+ 3.	9 + 5.5	0.62	1.18
Sherman Products ††			-16.	33.1	0.15	
J. P. Stevens & Co, **	4.	+70.0	-11.	1 - 8.7	0.60	
TXL Oil *			-			
U.S. Shoe Corp. *	*					
Van Water & Rogers *	. + 2.	1 - 4.9	+ 5.	9 —11.3	0.73	1,10
West Va. Pulp & Paper **						
Whiting Corp. **		3 - 80.7	+ 2.	6 —17.2	0.16	
Woodward Iron †††		23.0		- +14.7	0.46	
Wyandotte Worsted *		-+420.9		+118.1	0.37	0.01

Periods ending Aug. 31. **Periods ending July 31.

†August, and 8 mos. ending Aug. 31. ††Quarter, and 6 mos. ending Aug. 31. †††Periods ending Sept. 30. D-Deficit

@ BUSINESS WEEK

Profits Show Some Zip

The figures in the table indicate that the uprising in business is beginning to show up in earnings statements. Although a number of companies are still suffering, a lot of others-in many industries-at last are in an earnings upswing.

Of 39 companies listed, 19 had higher

earnings in the most recent three-month period than they did the year before. Over the nine-month haul, fewer did better-indicating that the improvement picked up speed as the year advanced.

Most of the companies in the group end their third quarters around July 31



Why Refiners Put Their Money on Sinclair



by T. B. KIMBALL

President

SINCLAIR REFINING COMPANY

a subsidiary of

"The best evaluation of a new refining development is found in what other refiners think of it. By that critical standard, the Sinclair-Baker platinum catalyst is an *outstanding tool for making high octane gasoline*. This reforming catalyst has been evaluated by sharp-pencil refinery engineers and judged by many to be the most efficient. Developed by Sinclair research, with the Baker Division of Engelhard Industries—platinum specialists, the catalyst is now used for more than 22 per cent of all domestic "cat" reforming. A number of foreign refineries also use it. We think this "dollars and cents" testimony by men who know refining best indicates the *high quality of Sinclair's research and processing technology.*"

SINCLAIR OIL CORPORATION . 600 FIFTH AVE., NEW YORK 20, N.Y.

and Aug. 31. The vast majority of corporations, of course, keep their books on a calendar-year basis, which brings the third stanza to an end Sept. 30. The accountants are still tallying these showings. Meantime, the figures from companies whose fiscal years begin at odd times give a pretty good preview of how business in general is doing.

how business in general is doing.

• Turning the Corner—The earlybird reports seem to justify the unofficial government estimate that after-tax profits of all corporations this year will total around \$18-billion. This would be much healthier than the \$15.5-billion annual rate, seasonally adjusted, to which profits plunged in 1958's first quarter (BW—Oct 4'58, 875).

quarter (BW-Oct.458,p76).

The betterment in earnings didn't all come from more sales or higher prices. Many companies improved their profit margins (BW-Sep.13'58,p119), thanks to cost-cutting introduced during the recession. The results began to show up in better second-quarter profit margins, which foreshadowed fatter earnings for the rest of the year. A number of companies added to earnings more than they increased sales, in percentage terms.

However, some companies expect carnings to rise mainly because of more abundant sales. Minnesota Mining & Mfg. Co. anticipates "some improvement" in the take as a result of sales that should be slightly better than 1957's record. Third-quarter sales were about 595-million, up from last year's 592.6-million.

• Conservatives—In drugs and chemicals, some companies think they might have been over-optimistic earlier. Parke, Davis & Co. in June predicted that 1958 earnings would increase 12% to 15%, sales 8%. Now a top officer of the company forecasts an earnings rise "in the range of 6% over last year."

In the range of 6% over last veat.

In the crucial steel industry, no company has yet reported third-quarter results. One of the smaller units, Lukens Steel Co., did poorly in the quarter ended Sept. 6, and halved the 50¢ dividend paid in the previous quarter. However, Crucible Steel Co. of America expects its showing to be considerably better than in the first or second quarter of this year. Pres. Joel Hunter sensed a definite turnaround a few months ago. Company officials now say September was probably the best month of the year. For the rest of 1958, they foresee at least a steady pace.

• Downcast Ones—On balance, the outlook for business as a whole may be brightening, but some of the earlybirds are still dour. Cincinnati Milling Machine Co., for instance, has yet to see an upturn in the rate of incoming orders. And Ex-Cell-O Corp., whose third-quarter earnings slumped 26%, says orders were running behind shipments during the period.

Tax Break for Small Business

This year's tax bill contains a surprise—perhaps more than 90% of U.S. businesses can cash in on the tax advantages formerly available only to partnerships and proprietorships.

A "sleeper" provision of the tax laws enacted last month to aid small business has tax experts a little giddy this week. They say it's conceivable that more than 90% of the nation's roughly 4-million business enterprises might at some time benefit. In dollar terms, the impact would be much smaller, because in most cases only smaller businesses could qualify.

Contained in the Technical Amendments Acts of 1958, the provision lets a corporation with 10 or fewer stockholders choose to be taxed in much the same manner as a partnership instead of as a corporation (BW—Sep.27'58, p49). If it does, it can still retain all the legal advantages of being a corporation. To qualify for the tax break, the main requirements—besides the limit on the number of stockholders—are that the corporation must have only one class of stock and that all shareowners agree to the choice.

Savings Galore—Professional tax advisers are figuring that use of the option can bring substantial savings to many corporations. Indeed, because of the economies possible, many partnerships and individual proprietorships may be inspired to become corporations, to avail themselves of the new law.

The option may be used permanently or on a "one-shot" basis. If the latter, it can be used only once every five years.

Here's a look at how the tax provision might work:

Take the case of a company anticipating a fat capital gain on sale of a factory building. Taxes would ordinarily gobble 25% of the profit. What's left would then be dished out to the stockholders, who would have to pay taxes on it, too, at their personal income tax rates—a kind of double taxation. This same double tax, of course, is imposed on all redistributed earnings of a corporation.

However, if the company elects to take the new tax option for the year of the sale, the entire take from the deal would be split among the stockholders as if they were partners. Each would pay a capital gains tax on his share of the profit at a rate based on his personal income tax rate—in no case more than 25%. The company itself would pay no tax on the amount. The total tax would be much less.

• Added Virtues—The new option has other enticements. It opens to partnerships all the tax advantages corporations and their employees can enjoy through establishment of a profitsharing plan.

Under such schemes, a company can deduct up to 15% of an employee's salary, place it in a trust fund, and take a tax deduction for the contributions. In a sense, this amounts to a bonus for the employee on which he doesn't have to pay taxes until he finally collects on retirement. At that time, he can usually take it in a lump sum and pay a capital gains tax on the company's investment in his behalf, or he can choose to collect a series of annual installments on which he would pay personal income taxes-at a rate that would in most cases be lower after retirement than before. Before passage of the new law, a partnership couldn't take full advantage of such benefit plans; payments into a trust fund for the partners themselves are not deductible. But thanks to the new provision, the partnership can incorporate and elect to take the option. As a corporation, it would then be able to win for itself all the tax benefits of profit-sharing plans. And in pretty much the same way as it had been as a partnership.

• Stalling the Collector—The new law also makes it possible for a business to defer payment of its taxes for almost a full year by changing its status. As a partnership on a calendar-year basis, the partners would normally begin paying taxes on a year's income on Apr. 15 of that year. If they incorporate and switch to a fiscal year running from Feb. 1 to Jan. 31, however, the partners can post-pone taxpaying for the first 11 months of the new fiscal year. Of course, at present an established corporation can do substantially the same thing, but restrictions make it somewhat harder to

change fiscal years.

If a corporation decides to use the option for a year in which it loses money, stockholders can benefit by using the losses—prorated according to their interest in the business—to offset their income from other sources. This could be especially helpful in encouraging new business ventures, which often run into the red for a while at the outset because of heavy starting up expenses.

In order to make use of the new provision, tax men warn, corporations that are on a calendar year basis must apply for the option by Dec. 1—within 90 days after the bill was signed into law.

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In Business

Congress Smiled, White House Frowned— AEC Blesses Dual-Purpose Reactor

The Atomic Energy Commission this week indicated that it was going ahead with a dual-purpose plutonium producing reactor at Hanford, Wash. AEC assigned the final engineering design of the \$145-million project to General Electric, which operates the Hanford works.

The big plutonium producer will be convertible to power production—somewhere around 300,000 kw. of electricity. The project was written into law by the Democratic Congress at its last session, on the grounds that it was essential to the developing of small atomic weapons. The Administration opposed it all along the line; Pres. Eisenhower said that there was no military need for it, and that the power conversion feature was unwarranted in any case.

The AEC asked for—and got—\$10-million from the Bureau of the Budget for the first phase. The whole project is expected to take four years, with construction starting next spring at the earliest.

FTC Clamps Gag on Chesterfield Claims, Denies They're "Milder, Less Irritating"

The Federal Trade Commission this week clamped a broad ban on the advertising claims made for Chester-field cigarettes by the Liggett & Myers Tobacco Co. The ban upholds almost all the charges of false advertising that were made in the original FTC complaint, way back in 1953. The company is forbidden to claim that Chesterfields have "no adverse effect" on the respiratory tract, or that they are "milder," or "soothing and relaxing." FTC says it is convinced that Chesterfields are not in fact milder or less irritating than other cigarettes.

St. Louis Parking Chain Blackballs New Cadillacs for Unseemly Girth

A St. Louis operator of parking facilities, taking a nip at the hand that feeds him, has banned all 1959 Cadillacs from his premises as too long, too wide, and too ornamented with breakable gadgets.

The interdict may be extended to other makes as well if they prove too buxom, says Wayne Stedelin, vice-president of City Auto Parks, whose five downtown St. Louis facilities hold more than 600 cars. Stedelin announced his views in a "Public Notice" advertisement.

One of his biggest rivals, Wayco Parking Lots, promptly riposted—in ads accepted by the morning Globe-Democrat—that it would "proudly serve any car owner, regardless of the size or stature of his automobile."

Stedelin complains that he can fit only 13 of the big cars into space formerly ample for 16. Besides, Stedelin says, the new Cadillac underbodies drag on his ramps, and lights mounted in both bumpers are easily smashed. "I just can't park these cars and make money," he mourns.

Though Cadillac brass had no official comment on this dislike for their child, seasoned observers in Detroit pointed out two arguments on Cadillac's side:

• Most Cadillacs are actually shorter than some 1958 models of other makes.

• Dragging tailpipes have been an annoyance even in much more modest autos. And three Cadillac distributors in St. Louis claimed that Stedelin was basing his charge on a test run in a '59 model loaded with four men of more than 200 lb. apiece.

Litchfield Steps Down at 83; Thomas Is New Goodyear Chairman

Goodyear Tire & Rubber Co. this week moved new men into its top positions. Paul W. Litchfield, 83, stepped down as chairman of the board, but will remain as a director and honorary chairman. Edwin J. Thomas, 59, moves from the presidency to the chairmanship, but continues as chief executive officer. The new president is Russell De Young, 49, who, like Litchfield and Thomas, came up through the production side.

Business Briefs

The ballistic rocket turned up in a new job this week, sponsored by the Convair Div. of General Dynamics. Convair's baby is a 6-ft. cargo missile, called the Lobber, designed to deliver emergency supplies to front line troops. The Lobber is designed as a complete logistical system, with its own launcher. Convair says three men can transport it. The rocket uses solid fuel, and is said to be recoverable after 70% of the shots. Its range is set at 15 mi., carrying a 30-40-lb. payload.

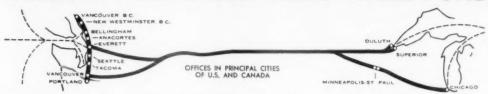
The bipartisan drive for campaign funds sponsored by Aerojet-General Corp. among its employees (BW—Sep.13'58,p40) went over with a \$25,000 bang. Some 11,000 workers, about 70% of the whole force, contributed an average \$2-plus. And about 2,000 voters seized the occasion to register.

The 59K VTOL—a helicopter that can act like an auto, or vice versa—has been successfully test flown by Piasecki Aircraft Corp. The hybrid craft is being built for the Army (BW—Mar.22'58,p28), but the company plans an eventual civilian model.

Capper Publications of Topeka, Kan., is dropping Household magazine with the November issue, will concentrate on its farm publications. Despite a circulation of over 2.5-million, it wasn't profitable. Capper is paying Curtis Publishing Co. to meet unexpired Household subscriptions with Saturday Evening Post, Ladies' Home Journal, or Holiday.

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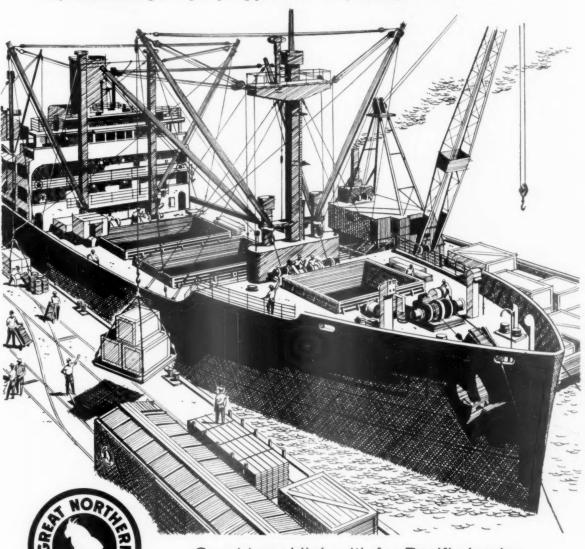
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WASHINGTON OUTLOOK

WASHINGTON BUREAU OCT. 11, 1958



Latest political surveys show the GOP still in bad trouble.

Here is what Republicans say privately, based on district-by-district rundowns in Congressional races across the country:

A House loss of 20 seats, net, is just about conceded. That figure is arrived at after giving GOP candidates the benefit of all doubts.

Losses in the Senate are conceded, too. Top forecasters would be happy to settle for a loss of two seats. They fear a loss of more.

Can Pres. Eisenhower change the outlook, with the Nov. 4 elections now less than 30 days away? The consensus here in Washington is that he can't. The most Republicans expect from the coming Eisenhower efforts is that losses will be held within the conceded range. Republicans feel their best chance of regaining even a narrow control of the House of Representatives is to have a strong Presidential candidate in 1960, and to elect him. Chances of regaining the Senate are more remote. Even a Republican Presidential victory would be no guarantee of a Republican Senate. Reason: Too many 1960 Senate seats up for election are safely Democratic.

What is behind the GOP pessimism? Look at these facts:

Democrats have run Congress since 1954, two years after the first Eisenhower landslide. They held this control through Eisenhower's 1956 victory. It's normal for the White House outs to win in off years.

Hopes for a Republican Party in the South have melted. The issue of school integration blasted this Eisenhower project. In 12 Southern states, the GOP has no candidates in 82 House races. And the few Southern Republicans now sitting in the House have tough fights.

Trouble is showing up also in just about all non-Southern states. Part of it is local, which usually controls in state elections. Part of it also stems from national issues—unemployment, Quemoy, Sherman Adams.

Look at the Democratic claim: "A gain of 26 to 30 House seats is already in our grasp." Democrats boast that if a real tide is running, the increase could go to 40 or more. But they aren't making that big a claim except in their publicity.

Democratic Senate estimates check closely with Republican figures. Democrats already have scored in Maine. They have a good chance to win at least two more in six other contests spread over five states—Michigan, Pennsylvania, California, New York, and West Virginia (two seats).

Here is how the Democrats figure things:

The country still is Democratic in its leanings. To back this up, party spokesmen dredge up what happened in 1954, when Eisenhower was at a peak of popularity, and in 1956. In those years, the Democrats point out, they won a great deal in local elections. This helps local organization, important to any party.

Democrats are running strong men in key states this year—men who are proven vote-getters and who will help get out the vote. Examples: Michigan, where Gov. Williams is leading a ticket; Massachusetts, with Gov. Furcolo and Sen. Kennedy; in New York, with Gov. Harriman, and Frank Hogan trying for the Senate; in Pennsylvania, David Lawrence for the gov-

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU OCT. 11, 1958

ernorship. Strong men running statewide tend to get out the vote and thus help their local candidates.

Here are areas where Democrats count on gains:

Far West—at least four seats in the states of Washington, California, and Colorado.

Midwest—four seats counted for sure, with five others on a probable basis in Michigan, Illinois, and Indiana.

Border states—four seats from West Virginia, Kentucky, Maryland, and Missouri.

The South-one each out of North Carolina and Virginia.

East and Northeast-14 more, counting the one scored in Maine.

What does the prospect add up to?

Two more years of divided government—with the Washington trend slanting to the New Dealish side. Eisenhower has had to compromise on goals since the Democrats won Congress in 1954. The drift has been toward bigger and more expensive government, with the hoped-for day when present high tax rates can be cut pushed farther into the indefinite future.

Right-to-work laws are up in six states. Already, some 18 states have laws barring union shops—contracts under which employees must join unions in order to hold their jobs.

This is a red hot issue in Ohio, the first of the really big industrial states to take on the issue. The referendum is on banning compulsory union membership. The fight is bitter on both sides.

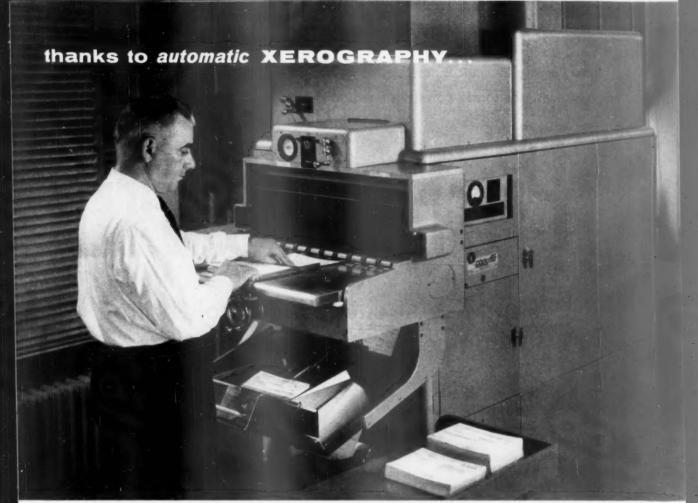
The same issue is up in California, where Senate Leader Knowland is making a bid for the governorship, with right-to-work as one of his key issues (BW—Sep.27'58,p41). Word from California is that while Knowland may be beaten, largely because of splits in his own party, the right-to-work issue may carry.

Right-to-work wins in these states would hurt union leaders. The big argument behind them is that they would give rank-and-file workers more control over union affairs. If workers didn't like the way their unions were being run, or the way union money was being used, they could quit and still keep their jobs. Union bosses don't like this approach to reform. It's a real threat to their power.

Keep an eye on this session of the Supreme Court. School issues dominate the news. But over the next several months you will get antitrust, tax, and other decisions vital to business. A major case that seems headed for final settlement is the Bethlehem Steel-Youngstown merger.

Eisenhower advisers and businessmen will get together next week for a fresh look ahead on business trends and what government policy should be. This will be the fall meeting of the Business Advisory Council at Hot Springs, Va. You will see new emphasis on the inflation threat.

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within seconds will deliver a dry, positive print into tray below. Machine copies 7,000 different cards a day, about one-third on both sides.

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For such requisitions the Copyflo printer copies the needed cards so that they never leave the file room and are always available for additional requests. Seven thousand cards are copied daily, about a third on both sides, bringing the day's reproduction—on cards alone—to between 9,000 and 10,000 exposures.

The resulting positive prints—black on white—appeal to people who work with the card copies, and the ability to write on the copies is a distinct advantage. Formerly, applications, medical forms, and policy-brief cards were copied by a wet-process photocopy method.

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With competition so strong in every field of business, it is apparent that the vigorous, efficiently managed companies will become the industry leaders of tomorrow. The protection in depth you get from Liberty not only helps you trim excess dollars from your insurance costs, but does it without sacrificing any of the coverage you need to safeguard your company during its growth.

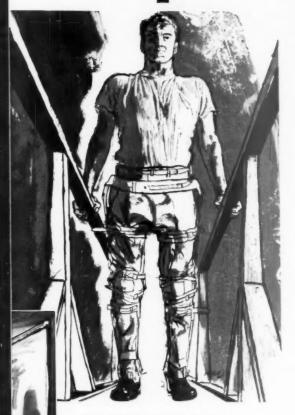
Protection in depth has already helped Liberty

establish an impressive cost-cutting record and a record for consistently attracting "blue-chip" accounts. Because we deal directly, our salesmen know their business — and yours. With the vast experience of the company behind them, they can competently handle unusual problems in all fields.

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depth



Learning to walk...the second time. The facilities of Liberty's two rehabilitation centers are made available to badly injured employees of policyholders. Through therapy and prosthetics know-how, patients help themselves recover, get back on the job and off compensation.

Shop-talk session. Twice a year, Liberty holds an advanced sales seminar for experienced salesmen. Here, tough coverage and rating problems are thrashed out in round-table discussions. Training like this makes our men extra-capable of handling unusual and challenging problems of policyholders.



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Behind PROTECTION IN DEPTH is the broad range of Liberty's special skills and resources

Liberty's special resources are sometimes unique, often broader in scope than most other companies or agencies can offer. Many are routine and offered as a standard part of our work. Others are ready to crack dangerous or money-wasting problems policyholders may have. Here are a few of them and how they can be put to work for you in a program that gives real protection in depth.

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These Liberty "extras," and the others pictured on these pages, work together to give you protection in depth. All of them are available to any policyholder who needs them. Any of them may help you to lower your insurance costs.

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Charting Weather Years Ahead

That's what U.S. weathermen are battling over: Are long-range forecasts reliable now, or only with weather satellites? Whoever wins, big gains in forecasting are coming.

The weatherman is used to being the target of bedraggled Sunday picnickers drenched by an unpredicted downpour, or of angry resort owners who complain that a storm forecast gone awry has emptied their hotels on a nice, sunny weekend.

But now the weathermen themselves are raging at each other—though for a somewhat different reason. U.S. meteorologists are engaged in a furious debate over the possibility of coming up with reliable long-range forecasts.

In one camp are the bulls, or do-itnow-ers, who contend that accurate
long-range predictions are possible on
the basis of what weathermen know
today about the weather, and the
plethora of new techniques and equipment already becoming available to
them. Opposing these optimists are the
bears, or satellite-waiters, who maintain that scientific knowledge about
what goes on in the earth's atmosphere
is still so sparse and imprecise that
long-range forecasting will never really
be possible until scientists manage to

get a series of weather satellites orbiting around the earth for a more cosmic and comprehensive view of what is happening (drawing).

Representatives of both camps have plenty of evidence to support their arguments. And both are positive they're right. Whatever the outcome of their debate, the layman can be sure of one thing: The next 10 years will see great advances in weather forecasting, both short-range and long-range. For the controversy represents the kind of argument among scientists that usually signals a sudden burst of scientific progress just around the corner.

 Doing It Now—Those—still in the minority—who think reliable long-range predictions are now possible see the whole forecasting art on the threshold of a new dimension, and held back only by lack of available money.

They insist that nature is so orderly that even now the weatherman should be able to predict the present and future reliably from the past, and to forecast the weather months and even

years in advance from the progression and interaction of atmospheric pressuretrains around the world. They firmly assert that this should be possible with or without weather satellites. It is already technically possible, they claim, as a result of recent developments in electronic weather data collection, data collation, and information distribution machines.

Advocate—Leader of this group is
Dr. Irving Krick, of Denver, one of the
country's leading commercial weathermen. He insists that forecasting with
computer aid is already reliable, and
bases his own long-range forecasts on
it. Using a Remington Rand Univac,
he has made daily shorthand weather
charts for his industrial clients as far
ahead as 1960 on the basis of weather
data registered in 1935-1955.

At last week's meeting of the American Meteorological Society in Denver, Krick confronted some of his most outspoken critics with weather charts prepared in October, 1957. He gleefully pointed out how remarkable his predictions coincided with what actually happened—including the formation of a "severe storm" in the southeast corner of the U.S. between Sept. 26 and Sept. 28.

Krick resigned from the society last



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June after protesting in vain its July, 1957, statement that "forecasts for more than one month in advance mislead the public if they do not clearly describe the forecasts as experimental and of unproven value." The society called detailed, day-by-day, long-range predictions not justified by present knowledge. Krick came back with a blast at "bureaucratic government weather services" and the society for "ignoring new scientific knowledge."

Basis for Krick's forecasts is something called the Hansman Theory. This holds that severe weather changes occur when and where pressure-waves in the atmosphere unite or coincide in a sort of resonance effect; and that the pressure waves move predictably. Krick, applying the theory to a practical formula, has had to classify all U.S. weather patterns in distinct types. He uses the Univac merely to permit rapid calculation of the multitudinous elements in the formula.

• Satellite Watchers—Krick's supporters call his forecasting system "undoubtedly the most reliable yet devised." But the critics retort that it works strictly on observation, not on sure knowledge. The critics comprise the large majority of meteorologists, including the U.S. Weather Bureau.

They contend that it's a waste of time to try to make long-range forecasts from the earth's surface—because so many small and hard-to-measure effects make such a random pattern of the weather that "it doesn't know itself what it's going to do for more than a few days ahead."

The crying need, says this group, is for more definite information on the exact amount and kind of radiation from the sun that is received at the limits of our atmosphere. When scientists know that, they will have a spring-board for solar research and for studying the sun's relationship to weather.

But scientists can only guess until a satellite—carrying instruments—is able to measure exactly the radiation the sun pours down on the earth.

Last month's "weather-eve" Vanguard satellite that failed to orbit was a step in this direction, though it was not instrumented to obtain this particular kind of information. The next Vanguard to be shot-it's scheduled in about four weeks-will carry "weathereve" instruments similar to last month's. Project Vanguard calls this the "cloudcover" experiment, aimed at collecting data on the amount of light the earth reflects back into space. Measurement of this by the satellite as it passes over the earth would indicate the amount, and to some extent the nature, of the earth's cloud cover.

• Progress on the Ground-Even the satellite-waiters admit, however, that when scientists do manage to get



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FILET MIGNON AT 35,000 FEET HAD ITS PROBLEMS



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enough satellites up and in orbit to collect the desired information, the ground machinery needed to process and correlate what they send back will be all set and ready to go. There has been a real technological advance over the past few years in developing such instruments. It's what most university and government researchers have been aiming at above everything else.

What's more, the value of these instruments doesn't depend on the whirling satellites. During the past 18 months, for example, the Air Research & Development Command has been working out a complete revamping of the Air Force weather prediction

system

The weather station of the immediate future—an experimental chain of seven is planned between Boston and Washington—will contain extremely complicated machinery that can sample all significant weather factors continuously, and feed the information just as continuously into giant computers. In the weather room, the computerized results will be transcribed on a huge screen in the form of a changing picture—from which the state of the continental weather can be read at a glance.

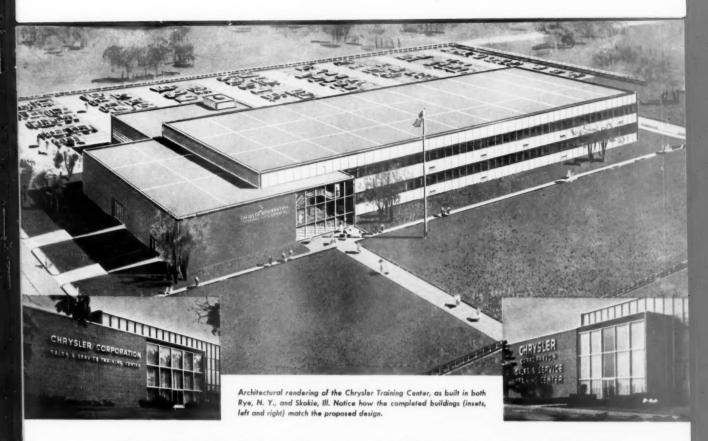
Of course, some weatherman will still have to make the forecast. But he'll have the advantage of an unprecedented flow of information.

• Batting Average—From the standpoint of long-range forecasting, this could have a fast impact. There's no doubt it will raise the reliability of such forecasts well beyond the "random guess" level. Massachusetts Institute of Technology's Hugh C. Willett sees it even doubling the present long-range batting score to about 40% accuracy and sees that coming within five years. The Weather Bureau classifies any forecast over three days as long-range.

Beyond that, Willett admits he's guessing. It could take as long at 20 years of effective solar-weather research (using satellites) to get the batting average up to 70%. Yet with luck, the break might come in 10 years.

• Focus on the Sun—Meteorologists almost unanimously concede, though, that the sun is the key to the problem. More than a half century of statistical analysis of weather and sunspots is responsible for their thinking that there has to be a connection between solar activity (as represented by the various sunspot cycles) and climatic cycles and trends on the earth. A pet current theory is that solar outbursts trigger off some massive charge in the lower layers of the earth's atmosphere where our weather originates.

But nobody today has proof of such things—or knows for sure why the relationship exists in the first place. That's why research in weather forecasting is focusing on the sun. END



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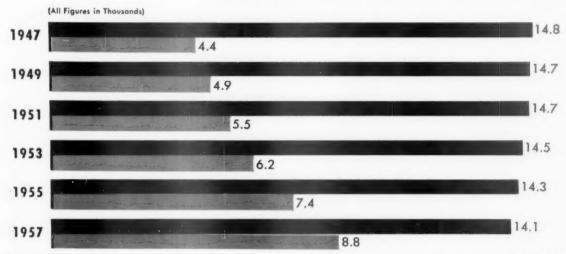
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Branch Banking Faces a Test

Ten years of change in the structure of American banking have produced the result shown in the chart: fewer banks, more branches.

Mergers have cut the number of banks—mergers to cut overhead costs, to consolidate resources, to gain access to new business areas. But the number of branches has doubled since 1947, as banks tried to follow their customers out of downtown centers.

Thus, the banking business has broken away from the old concept of an independent, home-owned bank for each major community. However, it is still far from the degree of branch banking that is the accepted way in most other countries. In Canada, for example, there are only 11 commercial banks; in Britain, five banks do more than 75% of the banking business.

There's no chance that the U.S. will adopt the Canadian or British pattern anytime in the foreseeable future. Both state laws and the regional nature of the Federal Reserve System are effective barriers to national branch banking operated by a few mammoth banks. But there is no doubt at all that the growth of the nation's commercial banking system will come via the branch banking route. Despite massive resistance by independent unit banks, branch banking—boasting greater efficiency and capacity to make loans—is gaining ground with steadily increasing momentum.

• Restraints-The rise of branch banking has been held down by the laws

and policies of some states. Extension of branches has been stoutly opposed in many states, and branch banking is prohibited entirely in nine states. One of these is Missouri, which is going into the final rounds of a political fight to legalize limited branch banking.

The issue appears on the ballot Nov. 4 in Missouri. It came to referendum by the process of initiative, rarely used in the state. Voters signed the initiative petition to put the question on the ballot; if it passes, branch banking becomes lawful. Banks will be allowed to set up branches within the same county as the main office or, in the case of St. Louis and Kansas City, within 12 miles of the city limits.

Backers of the proposal went directly to the public to enact this law through initiative and referendum because they knew they didn't have a chance in the legislature. In the banking field, the small country banks wield majority influence in the legislature, and they are implacably opposed to any form of branch banking. Last year, for example, they led successful opposition to a law to allow banks to set up drive-in windows that are detached from the main bank building.

• Encouragement—This year's drive to

• Encouragement—This year's drive to legalize branch banking didn't originate with the big St. Louis and Kansas City banks that could be expected to benefit most from it. The move was started by Missouri's big metropolitan newspapers, on the ground that banking

facilities are inadequate in the changing and growing urban-suburban areas.

The St. Louis Globe-Democrat, in particular, has been beating the editorial drums for branch banking for the past two years. It was in the front of the fight to get the issue on the ballot and is campaigning to get it passed.

Business leaders, too, are behind the branch-bank movement. One of the leaders is William A. Mann, a General Electric Co. vice-president who heads the Missouri Chamber of Commerce. "Forcing Missouri citizens and busi-

nessmen to conduct their financial affairs under horse-and-buggy laws doesn't add up to good business," says Mann, "and it can't help Missouri's future."

• Big Bank View—Not only have the big Missouri banks been reluctant to urge branch banking, but some of them have even gone on record in opposition to the proposal. These include two of the largest banks in Kansas City: the City National and the First National.

Officers of the large Kansas City banks, including these two, will tell you privately, however, that they feel branches would enable them to serve the needs of their customers better, but they don't want to offend the numerous country banks among their correspondents that are opposed to branching.

"It has never been the policy of this bank to compete with its correspondents," observes R. Crosby Kemper, president of City National.

• The Opposition-Foes of branching



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have lined up some impressive names on their side. Ex-Pres. Harry S. Truman, for example, has come out against branch banking, as has Rep. Clarence Cannon (D-Mo.), chairman of the House Appropriations Committee and president of a rural Missouri bank.

Most of the state legislators who are up for election have joined the onposition to branch banking, along with the Missouri Bankers Assn. and other groups that are sensitive to rural interests. Democratic and Republican state committees, however, regard the issue as a hot potato, and neither has vet been willing to pick it up.

There are a few significant chinks in the solid front of the downstate opposition. Some rural newspapers, such as the Nevada (Mo.) Herald, say many Missouri villages have no banks at all and aren't likely to get any unless branch banking is legalized. A certain amount of branch banking, says the Herald, could provide facilities at low cost to people who now have to drive 20 or 30 miles to a bank.

• Credit Monopoly?—Country bankers in Missouri base their opposition on the claim that branch banking sharply reduces the number of independent banks, leading to a "monopoly" of credit. Proponents concede that the effect is often to reduce the number of banks, but they deny that this will result in a credit monopoly.

They cite the situation in the Philadelphia area, where restrictions were relaxed in 1955. Since then, 47 new branches have been set up by eight Philadelphia banks. All but seven of the branches were acquired by merger, a large bank acquiring a smaller one. Nonetheless, the independent banks that remain report "business has never been better."

• Effect of Merger—It's easy to see why banks prefer to acquire branches through merger rather than by establishing them from scratch. Normally, a brand new branch is expected to lose money for at least three years; the office of a merged bank, on the other hand, is usually running at a profit. Bankers say it is usually good economy to acquire another bank rather than start a new branch even if it means paying a premium over book value.

Moreover, the Federal Reserve Bank of Philadelphia, after studying 67 mergers, reports that small banks merging with larger ones generally suffer no loss. On the contrary, merger announcements typically lead to a rise in price of the smaller bank's stock, officers and employees usually get higher salaries and more fringe benefits after the merger, and the enlarged bank is in a better position to pay competitive interest rates on savings and to expand its lending activity.

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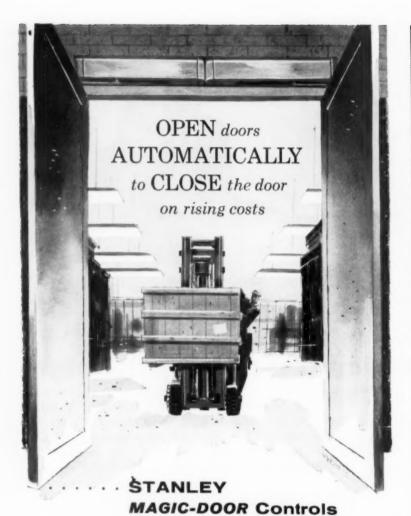
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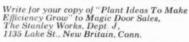


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This famous trademark distinguishes over 20,000 quality products of The Stanley Works-hand and electric tools - drapery, industrial and builders hardware - door controls - aluminum windows - metal parts - coatings steel and steel strapping-made in 24 Stanley plants in the United States, Canada, England and Germany few losses. The president of the absorbed bank loses his title, though he usually gets more money. The community's pride, too, may be hurt by loss of local ownership of its bank. The community is also likely to feel it is losing a source of credit for purely local enterprise, the kind that a homecontrolled bank may recognize as a good risk but a branch manager may turn down on the basis of rules established at the home office.

· Pressure on Cities-Banks in downtown St. Louis and Kansas City appear to have compelling reasons to branch

into the suburbs.

According to the Committee for Branch Banking, which is one of the groups behind the Missouri proposal, deposits in downtown St. Louis banks rose only 63% between 1942 and 1957. while outlying banks in the city gained 247% and suburban banks gained 546%.

"Downtown banks are losing individual and corporate customers as the movement to the suburbs continues," says the committee. "Every other business can follow its customers, but

Missouri banks cannot.'

· Aid to Expansion-After studying the experience of big branch banks in New York, some Missouri bankers say they should be able to expand much faster than before, if the branch banking law is passed. They see New York's experience as refutation of a key complaint about branch banking-that it channels funds out of a community to a harmful

Instead of hurting a community, they say, branch banking fully mobilizes financial resources and puts them to gainful work, instead of allowing excess reserves to pile up in banks that can't use them. This, they say, strengthens

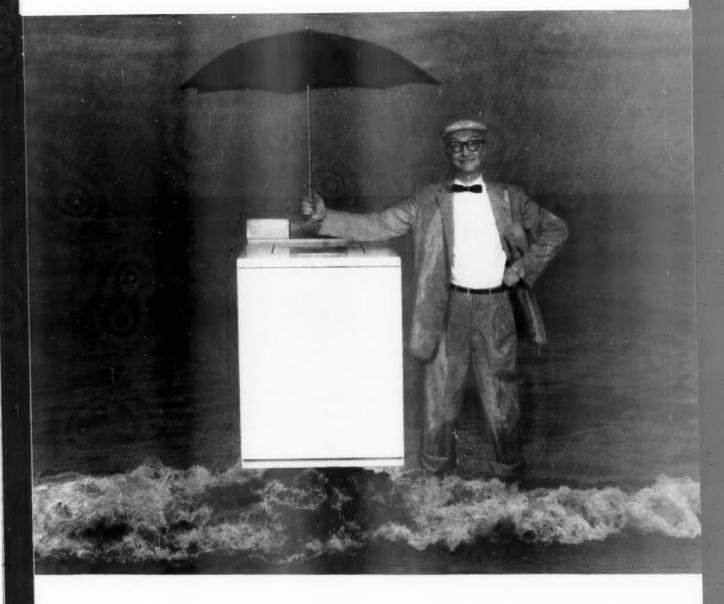
the local economy.

deposits out on loan.

A New York banker notes that, in his system of branches, some of the busy downtown branches have more money out on loan than they have on deposit, while the suburban branches may have only 10% to 20% of their

• Election Chances-Political observers in Missouri are wary of guessing which way the referendum will go. Supporters of branch banking claim they are gaining support. They say many local businessmen who have been unwilling to speak up for the new law, for fear of antagonizing their local bankers, will vote in favor because they are unhappy about the miles they have to travel to a bank.

They count on the downstate vote to split fairly evenly, with a big majority in the city districts to give them a victory. Even if the measure should lose this time, its sponsors say they will get it on the ballot again in years to come. END



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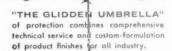
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In Money & Credit

Nation's Money Managers Adopt "Wait and See" Attitude on Credit

The nation's money managers, who were issuing conflicting statements about their credit policy only a few weeks ago (BW-Sep.27'58,p174), seemed more in line this week. Instead of an increasingly restrictive policy, which some Federal Reserve officials favor, the money

managers are marking time.

This is apparent from two key money market indicators. Net free reserves of member banks—the amount of reserves held by the banks after borrowing from the Fed—were at the \$100-million level, where they have been for about a month. In contrast, free reserves were slashed in the two preceding months by \$500-million, the sharpest reduction on record.

Similarly, yields on 91-day Treasury bills, the shortest term government obligation, declined to 2.66% this week from 2.92% a week before. Since the Fed switched from its policy of "active ease," Treasury bill yields have had a perpendicular climb—from under three-quarters of 1% in May to almost 3%. But now, with a "wait

and see" policy, bill yields have declined.

Big Discounts Asked on VA, FHA Loans As Mortgage Rates Start Climbing

The jump in mortgage rates, which was expected when money rates began tightening earlier in the year (BW-Sep.658,p34), has cut sharply into the market for government-guaranteed loans. By law, lenders are limited in the amount that they can charge on these loans—44% in the case of VA loans, 54 for FHA. Because these rates cannot adjust to changing market conditions, most buyers in the national mortgage market this week were asking deep discounts on these mortgages—5% to 6% in many cases.

Rise in Loan Demand May Force Banks To Unload Government Bonds at a Loss

Reflecting the gyrations of the money market, thirdquarter earnings reports for big New York banks this week show a mixed picture. Almost all register a decline in gross operating income because of lower interest rates and smaller loan volume, but their net income just held its own.

It is clear that banks with wide branch networks and a big volume of consumer business did better than the "wholesale" banks, whose big industrial loan volume was off sharply due to the recession. For example, the multi-branch Chemical Corn Exchange Bank posted an 11% increase in net earnings, but the Hanover Bank and the Irving Trust Co. both showed a 5% decline.

What the earnings reports do not show, of course, is that New York banks—and banks all across the country—now have huge unrealized losses in their government bond portfolios due to the decline in the bond market. All during the first part of 1958, when loans were at a low, reserves available, and bond prices high, banks bought government bonds. A great many are still holding their purchases. But with an increase in loan demand predicted for this fall, the banks will have to sell governments—at a loss—to make loans. This should slow the improvement in earnings expected from higher interest rates.

Professors Propose New Power for Fed To Increase Its Control Over Credit

A proposal to give the Federal Reserve power to exercise selective control over credit was made this week by Marcus Nadler and G. Rowland Collins of New York University's Institute of International Finance.

Aside from its power to regulate margin requirements on stock purchases, the only way the Fed can exert its authority is through pressure on bank reserves. Nadler and Collins feel that if the Fed had direct control over real estate and consumer credit and could regulate some bank borrowing, then it would be in a better position to control the flow of credit "irrespective of money market conditions."

To further aid the Federal Reserve, they suggest that new legislation be enacted to force institutional investors to give limited support to the bond market.

Money & Credit Briefs

The rush to save continues undiminished. The net increase in deposits at mutual savings banks during August was \$143-million, the largest increase on record for that month. Preliminary figures for August show that savings and loan associations gained \$365-million, or 46% more than the comparable month last year.

While hailing the defeat of an attempt to oust mutual savings banks from membership in the American Bankers Assn. (BW—Sep.27'58,p50), George A. Mooney, New York State Superintendent of Banks, warns that the mutuals still face a "full-scale war for tax equality." As he sees it, the problem now is "how much tax equality the mutuals can afford" and still preserve their status and continue their development.

In a major bid for consumer credit business, the Bank of Nova Scotia, Canada's fifth largest, has initiated a new consumer installment loan plan. This field has been exploited mostly by consumer finance companies, since banks are restricted to a 6% interest charge, while finance companies have been getting up to 24%. The new plan provides for a 6% discount note with the interest deducted in advance, giving the bank, in effect, a 10.5% rate. This should spur other Canadian banks to follow Nova Scotia's lead.

ALLIS-CHALMERS POWER EQUIPMENT

DIGEST

NEW low-cost 3-phase distribution regulator alters economics of regulation

A 30% reduction in the cost of three-phase regulation is announced by Allis-Chalmers with the introduction of a new regulator in several popular ratings. This unit combines reductions of 20% in weight and 33% in size with the large cost savings.

Utilities find these savings important enough to warrant restudy of present substation commitments and re-evaluation of cost factors.

This new regulator is an outgrowth of Allis-Chalmers continuing development program. The significance of this program is best measured by the remarkable record of savings to the utility industry.

In the period between 1948 and 1958 when utility equipment costs rose anywhere from 30% to 90%, Allis-Chalmers, with this new unit, has been able to hold the rise in cost of regulation in these ratings to only 7%.

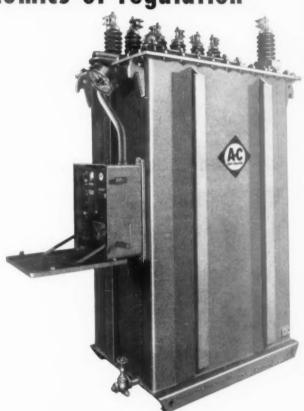
Once again three-phase regulation is available for many applications for the same price as singlephase units.

Popular Ratings

The following ratings are available: 500 and 750 kva, 8660 volts; and 500, 750 and 1000 kva, 13,200 volts.

The new unit combines the outstanding features long associated with Allis-Chalmers regulators, such as: heavy duty, "Quick-Break" tap-changing mechanism; unit construction; "Feather-Touch" control; unidirectional breather; and Vari-Amp.





NOW...hydraulic operators for low voltage breakers from 15 to 1600 amperes

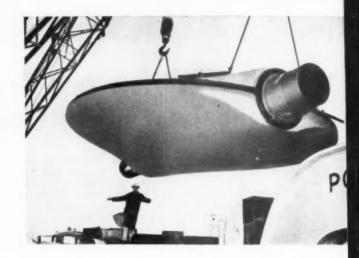
Smooth, quiet, fast-closing action is just one advantage of Allis-Chalmers hydraulic operators. This smooth action reduces stress on both operator and contact components. No adjustments are required since the closing unit is completely sealed.

In addition, this operator unit permits closing directly from an ac power source with low control power requirements.

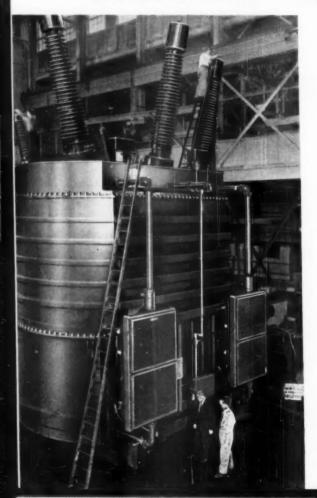
ALLIS-CHALMERS POWER

Valve disc

This huge 17-foot diameter, 44-ton cast steel butterfly valve disc, being lifted off truck, was built for use with a 68,000-hp, 190-ft head A-C hydraulic turbine installed in the State of Washington. Butterfly valves up to 27 feet in diameter have been built by Allis-Chalmers.



Trend seen to extra high transmission voltages



The 345-kv transformer shown here on test is another in a growing number of units in this class. Economic factors are behind this trend. At the same time as load carrying capacity of present transmission lines is beginning to be taxed—new right-of-ways are becoming more expensive and hard to get.

For some it has already become a question of either recoppering or stepping up voltage to carry the blocks of power they foresee.

A transformer for 345-kv service shown here in preparation for undergoing impulse tests on one of A-C's large impulse test floors.



The NEW LOOK in 4.16-kv metal-clad switchgear is the low silhouette

Horizontal drawout construction, new convenience, safety and appearance are featured in recently announced Allis-Chalmers switchgear.

The new low 72-inch silhouette is the lowest in the industry and brings with it eye level instrumentation. Auxiliaries, even when placed in upper rear portion of unit, are now at shoulder height.

Complete redesign includes provision for the safest, most complete compartmentation of any switchgear. All circuits are segregated; all live parts are completely enclosed; and all metal barriers are grounded. Full interlocking further assures personnel safety.

The new Ruptair breaker has the same design features as the larger 13.8-kv Ruptair breaker. Interrupting characteristics are improved to meet such needs as two-cycle operation.

A safety feature of the breaker is the hinged front metal barrier which locks firmly to the frame of the stationary structure when the breaker is in the connected position. This provides positive isolation of high voltage parts.

The same type mechanically trip-free four-bar linkage found on the largest Allis-Chalmers power breakers is used on Ruptair breakers. Quick and easy breaker disassembly is provided for contact and interrupting structure inspection.

A high level of insulation quality is maintained throughout the switchgear. All bus bar supports and primary disconnect bushings are made of high impact, high dielectric glass polyester material.

Preformed insulated joints eliminate need for molded and taped joints. This makes connecting of shipping groups at the site easier and quicker.



Readily accessible toroidal-type current transformers are easy to test or change.

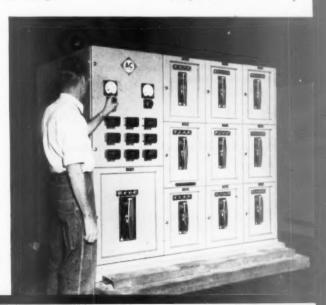


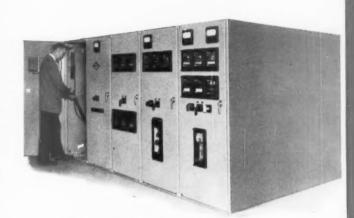
Preformed bus joint cover simplifies field connections - eliminates taping and compounds.

PROBLEM: low headroom SOLUTION: low, low switchgear

Low ceilings frequently create problems of unusable plant space. Here is a typical example of how Allis-Chalmers makes use of "cramped" areas near load centers where standard height switchgear cannot be used.

This special 68-inch high Allis-Chalmers switchgear was designed for installation in the basement of a New England electrical manufacturing firm. Breakers shown are in the 600-volt class. Units of this design are available to other manufacturers with space problems.





ette eve level instrumentation of new switchgear.

Man illustrates low silhou-

ALLIS-CHALMERS POWER EQUIPMENT DIGEST

Big shipping sections mean smaller condenser installation cost



Facilities for building... facilities for shipping have both influenced the design of Allis-Chalmers condensers. As a result units are designed in the fewest number of pieces possible for simplified installation.

Full advantage is taken of several types of special rail cars and availability of inland port facilities. In many cases, because of these shipping facilities it is possible to ship condensers of unusually large size completely tubed.

This results in simplified field assembly and helps utilities cut installation time and cost.



Literature of interest to power men

Silco-Flex system of insulation for motor coils is described in six-page bulletin. Characteristics of the insulation are detailed. Ask for Bulletin 05B8341A.

New 5-kv "low silhouette" metal-clad switchgear is described in 12-page bulletin. Horizontal draw-out breaker, eye level instrumentation are illustrated. Specification sheets are also available. Ask for Bulletin 18B8965 and/or Specification Sheets 1857863A.

Technical data covering new *Vari-Amp* current ratings and short-circuit ratings of Allis-Chalmers $\frac{5}{8}\%$ regulators can be obtained from **Bulletin** 2189026.

The trend to extra high voltage transformers and the background of this development are covered in a new 16-page Bulletin O1B8771.

Deaerator application and facts about the Allis-Chalmers line are included in **Bulletin 28B8853**.

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"The way we have sales organized now, the customers can't ignore us."

How to Catch Today's Customer

The trend in marketing seems to be to centralize strategy and fit the sales setup to the market, not the product.

What's the best way for a company to reach the market for its products today? A survey by BUSINESS WEEK shows two main trends in the way sales executives are answering that question:

 Many companies are centralizing marketing strategy and planning, if not sales themselves, too.

• Others, instead of organizing sales by products, are fitting the sales organization to the market. For instance, earlier this year Socony Mobil Oil Co. set up two separate marketing groups—one for resellers (dealers and distributors) and one for commercial accounts. Both handle all of Socony's products.

• Why So-Partly, the changes are the result of recession and the need to cut

costs. In a larger sense, though, the recession was just an excuse to remodel sprawling sales organizations that were often sadly lacking in coordination. Even companies that haven't changed their tack have, in many cases, been reappraising their over-all marketing policies.

I. Pulling Themselves Together

It's obvious that companies will never agree on one way as the best for pushing goods through the multitude of distribution channels. With any product –steel, for example—you can find just about every method used for selling, from direct sales to key customers at the highest level to off-the-shelf ware-

housing. But Business WEEK reporters found the two trends of change pretty general, whether a company is in consumer goods, industrial equipment, or services.

In marketing lingo, centralization for years has had a disagreeable connotation. Industry's fondness for diversification—in markets as well as in products—apparently created a need for decentralization, at least as long as business was good and getting better. Carried to the ultimate, this meant every product that could conceivably support one had its own marketing and selling force, beholden only to the product's general manager.

Now companies are apparently able to see some of the inefficiencies in such a setup

Consolidating—Just recently, for example, Bowser, Inc., a highly diversified multi-product company, announced it



How to cut your cost for protection against overpressures

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Industrial distributors in all principal cities backed by convenient regional warehouses are ready to serve you. We invite your inquiry.



CONSOLIDATED SAFETY VALVES A product of MANNING, MAXWELL & MOORE, INC.

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was organizing an integrated Marketing Div., headed by an executive with the title of president. This step will consolidate the sales and service of three of Bowser's 10 manufacturing divisions in Ft. Wavne, Ind. They make: (1) blending and metering equipment for industrial liquids, fuels, and lubricants; (2) gasoline pumps, and (3) swimming pool filtration systems. "The present consolidation," says the company, "is the first phase of a program contemplating the eventual integration of other subsidiaries into one over-all marketing organization."

In Houston, Johnson Testers, Inc., a subsidiary of Schlumberger, Ltd., has decided on a centralized marketing division to sell the hardgoods it's adding to its line-a sonic pump, to begin with. The division's chief officer will be a general manager, on a par with manufacturing and engineering brass. Field salesmen and regional managers will report directly up the marketing "tree system" to headquarters. "The centralized system is the cheapest we could adopt," says C. F. Riker, manager. "It gives us flexibility to grow solidly as

slow or fast as we want.

· Marketing Apart-A company with far longer experience in selling industrial products-an East Coast producer of diversified chemicals-has also decided to centralize marketing in a big way. An executive vice-president draws a sharp line between marketing and selling: "Marketing is the planning and policy end, selling the execution end of the process. Selling is definitely sub-

ordinated to marketing."

In this company, marketing headquarters keeps tight control on salesmen in the field. The reason, as the vice-president explains it: "If we're going to devote all this time and effort to studying what and where the market is, then we have to let the marketing people make the decisions on how the selling force is to operate." He admits one drawback. Salesmen previously pretty much at liberty to sell as they saw fit are now taking orders from the home office. "These people haven't got used to it," says the V-P. When they do, he thinks the new system will outperform the old.

· Mergers the Start-Some companies have found centralization necessary as the result of mergers. They can only tolerate for so long the separate selling activities of acquired subsidiaries or divisions. An example is the large Milwaukee maker of construction machinery that acquired a couple of Ohio companies. The acquisitions gave it a full line of equipment, but, says the company, "we found ourselves somewhat decentralized while attempting to sell the common product, construction equipment." So sales managers of the two acquired companies are being

The 14 most frequently asked questions about Business Consultants

- Q. What is a business consultant?
- A. An outside specialist called in by management to help with a special project or unusual business problem.
- Q. In what phases of business do consultants specialize?
- A. Some specialize in one field like insurance, appraisals, or marketing. But the larger consulting firms usually offer specialized help in all these, and many other areas.
- Q. Which size firm can serve me best?
- A. That depends on your problem. However, with the complex structure of modern business, many problems can't be readily classified. It often takes investigation into many facets of a company's operations to determine what the basic problem really is. An integrated consulting organization offering specialists in many fields is more likely to find solutions that are sound from every angle.
- Q. How large or small an assignment will a consulting firm undertake?
- A. That varies with each firm. Most of the larger ones take assignments of all sizes—assignments ranging in duration from a few days to several years.
- Q. Any limitation on where they can serve me?
- A. That varies, too. Some consulting firms, like Ebasco, have had worldwide experience.

- Q. How can such outsiders know my business?
- A. The well-established consultant has probably worked for many companies in your industry or related industries in the past. The once-inalifetime situation in your company may well be one he's handled a dozen times before.
- Q. Is it wise to engage a consultant who may have worked for my competitors?
- A. Certainly. Just as wise as employing an executive, a salesman, or any other worker who's had previous experience in your industry.
- Q. What happens if a consultant I engage works for one of my competitors in the future?
- A. Consultants are professional men with professional ethics. They cannot and will not reveal information of a confidential nature.
- Q. Do consultants offer standardized solutions?
- No. They draw on past experience, but each new set of recommendations is tailor-made.
- Q. How do they arrive at their recommendations?
- A. In general, through four specific steps: (1) They get the facts about the problem or the project; (2) They analyze these facts; (3) A program of recommended action is submitted to management; (4) When the program meets management's approval, the consultants plan the details and assist in putting the program into operation.

- Q. Are the services of business consultants expensive?
- A. A consultant's value can't be measured in dollars and cents, but by the results achieved. The fact that consulting firms derive much of their business as repeat assignments from clients served in the past proves the consultant's worth.
- Q. Wouldn't my company save money by putting the specialists it needs on its permanent payroll?
- A. No, since most special problems and projects that call for a consultant are of relatively short duration. Nor would specialists be easy to find in today's tight manpower market.
- Q. Can consulting costs be estimated in advance?
- Yes. Consulting firms will submit estimates of charges for each specific assignment.
- Q. What's the best way to select a consulting firm?
- A. Check with the Association of Consulting Management Engineers for their listing of members, or your own trade association for qualified firms. Select two or three and discuss your requirements with them. Ask whom they have served before in what capacity and how often. Then choose the firm that seems best suited to meet your particular needs.



Whatever your business or industry, one of the firms that may be recommended to you is Ebasco. Our booklet, "The Inside Story of Outside Help" describes the many consulting services we offer. We will be pleased to send you a copy. Address Ebasco Services Incorporated, Dept. C., Two Rector Street, New York 6, New York.

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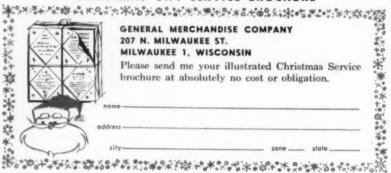
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CHRISTMAS GIFT SERVICE BROCHURE



brought to Milwaukee as part of the central staff. This will unify the company's marketing and save money on

advertising and promotion.

Another way to centralize-and hence give more control to headquarters-is to change distribution channels. Barrett-Cravens, a heavy equipment manufacturer in Chicago, is switching from manufacturers' representatives to franchised distributors in the 40 major markets, in order to tighten company control. Competition-especially in customers' demands for service-made the move necessary.

In Houston, a major drilling mud company by Jan. I will be doing all its worldwide selling in company-owned stores. It used to own only 40% of its outlets, franchised the rest. The company is cutting down from 500 to 300 outlets, but it expects advantages in a consolidated advertising effort, better inventory control, a firmer hand on selling prices, and direct administration of stores.

· Appliances, Too-In consumer goods, a leading appliance maker has decided to drop all independent distributors and replace them gradually with factory branches. Explains the sales manager: 'We think from experience that we can operate our branches as economically as a distributor and can get the full attention to our products we want."

Even in companies that are trying to decentralize marketing, division people are trained on a centralized basis. International Resistance Co. in Philadelphia plans to train the sales manager of each of its six plants to handle all the marketing functions for all of his plant's products, whatever the size of the market. A new central office director of marketing will do the training, but eventually he will act only as a consultant to the plant sales managers.

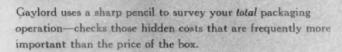
In the long run, however, the trend is definitely toward centralization-so much so that a big Cleveland outfit now has a strong leaning toward setting up a central sales organization, even at the cost of a major internal reorganization. The step is "not now contemplated," but it would be a big one for an outfit that traditionally has been composed of separate entities.

II. The Market's the Thing

A good many companies are organizing their marketing in accordance with their markets, not their product lines.

Right now, this is particularly true in major appliances. General Electric's Louisville operation established an overall marketing group to handle all its products, for example. Hotpoint, a GE division, this year returned to its original concept of selling the all-electric kitchen, rather than single appliances. Hotpoint says: "Motivational research

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GRAYBAR ELECTRIC COMPANY, INC., 420 LEXINGTON AVENUE, NEW YORK 17, N. Y. IN OVER 130 PRINCIPAL CITIES

has shown that women are first attracted to the kitchen and second to the appliances." Norge, a division of Borg-Warner, tried specialist salesmen a couple of years ago, has since returned to multi-product men. The specialist scheme gives "tremendous impact when more than one salesman calls on a distributor," Norge says, but it had to "go by the board when the recession came along."

· Fewer Sell More-American Optical Co. used to employ separate salesmen for frames, cases, and lenses. Now its utility salesmen, backed up by factory specialists, sell the full line. Fewer salesmen are selling more than a year ago by "several percentage points.

Chicago's Bell & Howell and A. B. Dick are both experimenting in an effort to decide between full-line and specialized salesmen. Dick has 85% of its salesmen on the whole line, but there are a few specialists-mainly to sell complicated duplicating machines to banks and manufacturers. Chances are the specialists will be used in big cities, full-line men in smaller markets. Bell & Howell is testing specialists in some areas to see if additional sales (of its audio-visual equipment, for example) will balance the added cost.

• The Dissenters-There are still exceptions-companies holding strongly that "product knowledge is the only important factor." That's the opinion of Pfaudler-Permutit, Inc., Rochester (N.Y.) maker of glass-lined pressure tanks, filters, and water treatment equipment. It abandoned assigning salesmen to markets or industries, now concentrates on high-grade engineers who can sell to any industry. One major concession to the market approach, though, is an advisory board consisting of the chief engineers of 12 important customcrs. Started two years ago, it meets to prejudge all new products.

A Cleveland maker of electronic parts agrees: "Stuff a man's satchel with too many products and you simply end up confusing him. This result is much worse than the possible appearance of corporate disorganization you might get if different men selling different products made by one company call on the same purchasing agent in one day."

Another Cleveland concern, making auto parts, is in the process of making up its mind whether to drop the market approach in favor of product-line sales.

· Established Trend-But, whether it's done formally or not, the strategy in today's market is more and more to emphasize how to reach a market, rather than how to sell a product. And this is the case from U.S. Steel Corp.'s new drive for coordination (BW-Mar. 29'58,p88) to the decision by Rose Marie Reid, West Coast swim suit maker, to set up a junior-line sales group aimed at the teen-age market. END



Collage by Clarence H. Carter, Prints show 18th-century French glass blower, medieval Italian market place

Things are different overseas today. Industrialization is creating new needs abroad and new purchasing power to satisfy them. Marketing, too, is changing. There are supermarkets in Lima today and discount houses in Paris. These changes may offer new business opportunities for you. For help in finding out, talk to the man who can do more for you overseas, your First National City banker.

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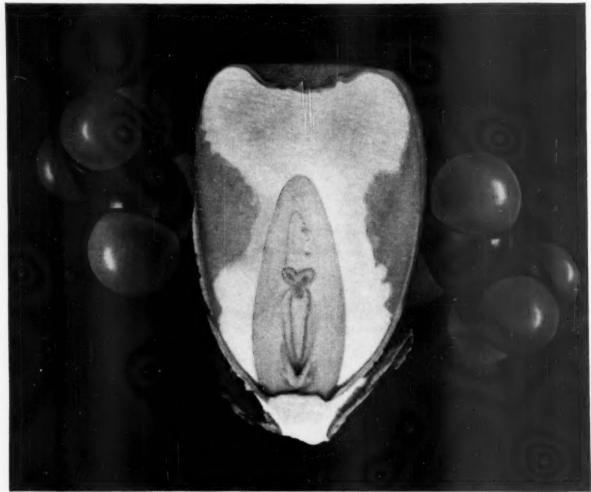


Illustration of the magnified kernel of corn courtesy of CORN INDUSTRIES RESEARCH FOUNDATION, INC.

How 'new chemistry' is finding new uses for corn

The potential of corn as a chemical raw material fires the imagination because of its huge and annually replaceable supply. The U. S. crop alone in 1957 was nearly 3½ billion bushels or 200 billion pounds.

'New chemistry' applied to corn is constantly creating new chemical products from the basic components of corn—starch, oil and protein.

Corn starch combined with new chemical elements is now the base for improved results in papermaking, textile and adhesive industries. It is also leading to new chemical, plastic and other industrial uses. Starch can now be made in the form of flexible transparent films and coatings with promising wide applications.

Corn starch leads all other starches in usage. Last year, wet millers like National produced close to 2½ billion pounds of starch from corn.

National is a major producer of starch specialties through 'new chemistry'— a result of selective research and development.



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In Marketing

Woman's Day, Harassed by Antitrusters, Is Sold by A&P to Fawcett Publications

Woman's Day, until recently circulated only through A&P stores, has changed hands. Fawcett Publications, Inc., bought it from A&P last week for an undisclosed cash sum.

Fawcett had printed Woman's Day for years. Last May, it took on the distribution of the magazine as well. Since then, Fawcett has been adding new supermarkets, as well as newsstands, as outlets.

Fawcett says the staff and format will stay substantially as is under the new ownership. There is no doubt that the antitrust suit involving several food processors and the magazine and A&P made life difficult for the publication in recent months. While the courts gave A&P and Woman's Day a clean bill of health a year ago (BW-Aug.3'57,p50), the case against the food processors is still pending. Some big companies have been leery of advertising—and the figures reflect this attitude. According to Publishers Information Bureau, ad revenues for Woman's Day were down 17% in both dollars and pages for the January-August period, while all women's magazines fell only 8% in revenue and 14% in pages.

Woman's Day isn't saying so, but this shadow undoubtedly explains in part the shift in circulation policy. The new broad distribution is paying off. Roger Fawcett, Fawcett vice-president and general manager, says that with the December issue, 1-million copies will move through other outlets than A&P stores.

Consumers Can Afford to Go Into Debt For New Cars, Loan Companies Say

Small loan company operators, in Miami Beach for the annual convention of the National Consumer Finance Assn., came to a guardedly optimistic conclusion: Consumers can afford to buy big-ticket items—if they want to.

They cited stored-up savings and paid-up debts in explanation. Actually, consumer credit of all kinds for the month of August was running ahead of a year ago for everything but autos. But installment credit outstanding at the end of the month dropped below the level of a year ago for the first time in many months.

Naturally, the climate of the market for 1959 cars had top priority at the meeting. Different company heads weighed differently three questions about consumers' response: Would they like the look of the new models? Would they balk at prices? Are they still too recession-haunted to go into hock for a car?

Maxwell King, president of Pacific Finance Corp., reported "a lot more" consumer confidence, but still no overwhelming confidence. To him, prices and consumer attitudes offer the main hazards to sales; styling is secondary. E. F. Wonderlic, president of General Finance Corp., felt that styling would prove crucial—and that the new cars have plenty to interest buyers. Leland M. Feigel, head of Interstate Finance Corp., criticized manufacturers sharply for failing to give the public what it wants, for offering shoddy merchandise in recent years. Yet he, too, expects car buying to turn up.

Government moves in the money market were another source of worry. "The government could scare everyone if it tightens up too much," King thought. The availability and cost of money bothered most people. And there was little disposition to offer 42 months' terms. The consumer has to get enough equity in his car fast enough to make forfeiting it by nonpayment a sacrifice, most agreed.

"Twigs," Not Branches, Are Called Key to Suburban Store Expansion

Department store branches have long served as a door to the great suburban market. Yet department stores continue to take a smaller share of the retail pie even though their sales are climbing.

To help stem the tide, Pres. William T. Snaith of Raymond Loewy Corp. last week prescribed a novel remedy: not only the well-stocked, full-line branches, but what he called twigs. These would be units of maybe 30,000 to 50,000 sq. ft., with a volume of perhaps \$2-million. They would have the aura of a prestige store but would concentrate on the most-wanted items in a given market. The suggestion came at a meeting of Associated Merchandising Corp., statistical clearing-house and resident buying office for Federated and other stores.

Spotted in the no-man's land where neighborhood stores and chains flourish, these "twigs" could plug a hole in the big retailer's marketing map, Snaith feels. This is a hole that supermarkets, variety stores, discount houses have rushed in to fill, with lures of price, broad lines, and convenience.

The department store has a lure of its own: its prestige value. This, too, has been seriously threatened by the increasing dominance of national brands and manufacturer selling. So Snaith also urged department stores to hammer home their differentness, their particular character, whatever it might be. Such a dual program of prestige buildup and a judicious scattering of twigs might help stop the flow of business to competitors.

The trick would be to locate the twig in the right spot, and to give the small unit the big store atmosphere.

Some retailers have made efforts along these lines. Sanger's, Federated's Dallas store, has a small branch that specializes in children's wear (BW—May3'58,p56). J. L. Hudson has just set up a bargain basement store (BW—Sep.20'58,p68). Snaith feels the bargain basement approach is wrong; it needs the upstairs store to feed on, he thinks.

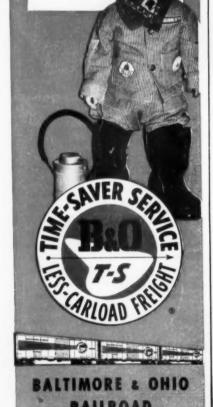
He warns that the battle will get tougher, not easier. The shopping center itself tends to weaken the identity of its individual members. And, as food chains reach the limits of economic geographical expansion, you can expect them to wade deeper into nonfood lines.

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Think only babies are handled with care? Watch the way B&O will coddle your less-than-carload freight! Route it via B&O Time—Saver and you'll save extra time, but we'll expand extra care to safeguard every shipment. B&O operating and terminal people are specially trained and supervised to "baby" your LCL. They like their competence

at it—you'll like their dependable performance.





BUSINESS ABROAD

Singapore Defends



WATERFRONT SLUMS along canals and back streets are breeding ground for pro-Communist

WELFARE STATE policy of present pro-Western government provides a partment housing (below) for 10% of 1.5-million population.



Prosperity Against Red Threat



groups that are trying to tighten their hold over city's large Chinese population.

FUTURE OF TRADE, Singapore's big earner, depends partly on continued flow of tin and rubber (below) through the port from Malaya.



With the Formosa crisis stirring up fears of Communist Chinese expansion into Southeast Asia, Britain's island colony of Singapore (pictures) is gearing its military forces for action. Last week, in "Operation Dark Strike," units of British soldiers, Singapore police, and troops from nearby Malaya beat off an "attacking force."

But for Singapore—a Western military outpost almost as strategically important as Hong Kong—the real danger lies within. The trouble, already brewing and likely to boil over by next spring, is Communist infiltration.

• Divided Colony—Under the British proclamation of Aug. 1, the city-state will get "internal sovereignty" in January. Then, it will hold elections in March.

While Chief Minister Lim Yew Hock and the colony's legislative assembly are following a moderate course of maintaining close ties with Britain and the West, the city council is in the hands of nationalistic hotheads and Communist sympathizers. Their rallying symbol is the People's Action Party, which often takes its cues from tough Communist agents trained in Singapore's back-street slums. In municipal elections this spring, it installed its candidate—32-year-old Ong Eng Guan—as mayor.

• Trade Troubles—Singapore's troubles aren't wholly political. In the economic sphere, its needs would logically lead to a closer alignment with the neighboring Federation of Malaya. It depends on Malaya for about one-fifth of its trade; it is just across the water from the Malay peninsula (map, page 76).

Singapore, 217 sq. mi. with 1.5-milhon people, makes some light consumer goods—but hardly on the almost selfsustaining basis of Hong Kong. Its real money earner is trade. Last year, it imported about \$1.3-billion worth of goods, exported \$1.2-billion. That kind of trade has made Singapore a center for banks and middlemen.

The rise of nationalism—economic as well as political—in Southeast Asia has diminished Singapore's importance as a trading center. The colony enjoyed a temporary boom earlier this year from illegal trade with Sumatra and other outer islands in Indonesia. But that business won't last long, if and when Pres. Sockarno's government tightens its military grip on the Indonesian archipelago.

• One-Sided Pressure—If Singapore's future would seem to be with Malaya, the pressure for a closer alliance never-





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theless is fairly one-sided. Singapore has a population problem—30,000 workers enter the labor force annually, and more than half the population is under 21. Malaya, on the other hand, is a rich, relatively unexplored country with only 6.4-million people.

Malaya's population is 60% Malay and Indian, 40% Chinese. The dominant Malays fear their aggressive Chinese neighbors in Singapore. They say that the addition of Singapore's population to the federation—and 80% of the colony is Chinese—would tip the scales toward Chinese control of Malaya

There are other factors, too, working against closer ties. For one thing, Malaya, which won its independence last year, produces about a third of the world's tin, about half the world's natural rubber. With this substantial base for export earnings, the Kuala Lumpur government tends to look down on Singapore as merely a parasitic trading center. To avoid expanding existing connections with the colony to the south, Malaya is putting money into ports of its own, such as the North Klang Straits Harbor project near Port Swettenham.

 Red Influence—Then, too, Malaya's anti-Communist Alliance Party, ruling the new federation, fears the radical political movements in Singapore.

Since 1948, Malaya has fought a nasty, expensive war—with British help until last year—against some 7,000 Communist terrorists in the jungles. Just as the British pulled out, the situation was getting under control. What Malaya fears is a resurgence of guerilla activity inspired by a union with Singapore. While Chinese in the colony are somewhat neutral in the conflict between the Nationalists on Formosa and the Communists in Peking, most of



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The project is an undertaking of the Mississippi River Bridge Authority. Designers and consultants for construction were Modjeski & Masters, of Harrisburg, Pa.

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LIM YEW HOCK, Singapore's chief minister, pushes anti-Communist policies.

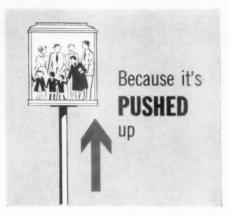
them recognize mainland China as an emerging world power.

• High Standards—For all the anticolonial talk by local politicians, Singapore is a picture of Asian prosperity. Wealthier Chinese eat in the luxurious Cathay Restaurant. On Collyer Quai and along Robinson Road in the banking district, Singaporeans marvel at two striking additions to the skyline— Denmark House and the lavish building of American International Assurance, a U.S.-backed life insurance company. The colony's 60,000 cars, mostly late models, roar along one-way streets past clean government buildings and traffic cops in spotless white uniforms.

Even counting the back alley slums, where you find 20 people living in a room, Singapore's living standard is one of Asia's highest. Average income per capita is about \$5450 a year. The "Straits Dollar," used in Singapore, Malaya, and the three British colonies in North Borneo, is one of the soundest in the world and is fully backed by British sterling. With other Southeast Asian currencies—Indonesia's rupiah, for example—watered in value, the Straits Dollar is fast becoming the currency for an even wider region, from the Philippines to Ceylon.

• Political Applecart—With Singapore's livelihood so dependent on confidence and sound currency, local businessmen can hardly believe that the radical People's Action Party will undertake wild schemes, once in power. But Ong Eng Guan, top PAP leader, typifies the occasional illogicality of political currents in the colony. His doctrine is simple: He is "for the poor." His basic program is independence for Singapore, merger with Malaya, andlast and possibly least—economic development. He does not regard Communism as a real issue.

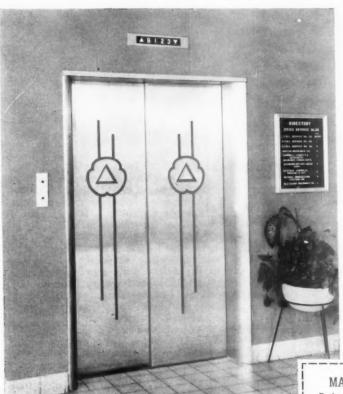
Nor is the PAP the only expression



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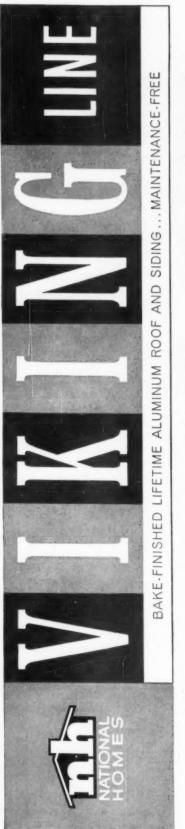
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weather protected. It will look freshly painted ... stay new ... year after year after year! The secret is a tough, new factory-built exterior of upkeep during the entire life of the house . . . saves This revolutionary construction saves exterior the buyer more than \$4,000 in the first 20 years, enough to furnish the home or to send a child to baked-finished lifetime aluminum that protects, beautifies every inch of the roof and siding.

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cost. Viking models can be sold profitably for as in models to \$50,000. Viking construction has already been used to build a Howard Johnson Motor Court, an addition to the Edgelea Public School in low as \$7,600 plus lot in some areas . . . sold easily Lafayette, Indiana, and a branch bank of the Philadelphia Saving Fund Society.

To schedule your showing, write James Viking homes are now being shown by invitation only and strictly by appointment to qualified Chairman, National Homes Corporation, Lafayette, Indiana. builders. R. Price,

of Singapore's burgeoning radicalism. as final financing.) David Saul Marshall, former chief minister, goes even further to the left. He favors total instead of limited independence from the British, economic freedom from operating in the sterling area, and Communist support if needed. · Welfare State-This week, to counterbalance this leftist movement, Lim Yew Hock, the new minister, was trying to corral all the anti-Communist elements into a new, united Socialist Not many Americans would quarrel with Lim's mild socialismsocial justice through wider distribution of wealth, better living standards, and taxation for a welfare state. His program aims at maintaining most of the colony's capitalistic enterprises, without the usual socialist panacea of nationali-Already, Singapore's government is

pushing a welfare program, with onefourth of revenues spent on education and with one-tenth of the population living in public housing. Even so, its backers are sometimes apathetic about these benefits. In a recent by-election, the PAP candidate won over Lim's candidate, largely because the pro-Communists turned out the voters while • Safeguard-However, Britain has a firm grip on Singapore's future-far more than it does in Hong Kong, which In Singapore, Britain reserves the right under the new constitution to take security measures to forestall a Com-

 Needs Support—Apart from political storm signals, Singapore is likely to face increasing economic troubles-unless, as observers point out, it works out a closer relationship with Malaya. By itself, Singapore "would not have much excuse for even existing, except as a military base"—as one U.S. visitor puts it. Its labor is too expensive for cheap, Hong Kong-type manufacturing. Its local Chinese, though talented in crafts, know little about production tech-

If the warring political factions could get together and convince nearby Malaya that its interests are the same as Singapore's, the island would have a brighter future. The interests, in many ways, are identical. Both Malaya and Singapore have seen tin trading drop some 30%-to the lowest level in 10 years-during the recent commodity recession. And, while the Kuala Lumpur government fears Singapore's Communists, it has discovered in recent months that Communist China is displacing Britain and the U.S. as the principal customer for its natural rub-

(To qualified builders: Only National Homes offers financing for every phase of your operation—land procurement, site development and interim as well anti-Communists mostly stayed home. also fears increasing Communist influence. In Hong Kong, under the guns of Peking's Reds, Britain could do little to stop the Communist Chinese. munist takeover. BUSINESS WEEK . Oct. 11, 1958



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Big warehouse keeps warm with four heaters

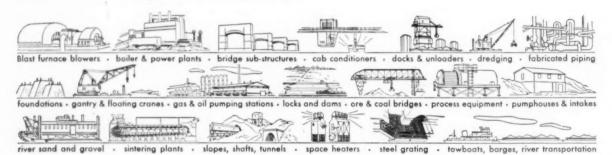
This 79,000 square foot warehouse of the C. A. Turner Company, Rankin, Pa., has high roof areas and large access doors. Yet, only four Dravo Counterflo heaters were needed to maintain a 68° comfort level during last January's severe cold spell with its frequent sub-zero temperatures. Fuel costs for the month were 7/10¢ per square foot!

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In Business Abroad

Britain and Iran Set Up Joint Bank, The First Deal of Its Kind Since 1951

The Irano-British Bank, formed last week, is Britain's first private banking arrangement with Iran since the Mossadegh revolution forced the British Bank of Iran & the Middle East to pack up in 1951. The bank is capitalized at \$2.8-million.

The British participants are the Chartered Bank and its new subsidiary, the Eastern Bank. Together, they hold 49% of the stock. The rest is in Iranian hands.

Similar licenses to operate in Tehran have been issued or are pending—to French, Swiss, West German, Dutch, and Italian banking interests.

West Germany Cuts Steel Output As Export Demand Slackens

West Germany's steel industry is cutting back production for the first time since its postwar renaissance. So far, more than 5,000 steel workers have been laid off, and over 50,000 are on a short week. Part of the trouble is a decline in export demand.

Steel exports in the first five months of 1958 were 12% below the same period last year. Total output in 1958 probably will be at least 1.5-million metric tons under 1957's record 24.5-million.

Britain's steel production and exports started to slide even before West Germany's. Exports in the first five months of 1958 slumped 14%, compared with 1957 figures for the same period. It looks as if total production this year will be down about as much as West Germany's.

U.S. Private Investment Abroad Will Tail Last Year's Record

Private investment abroad this year isn't likely to maintain the level reached in 1957. Last year, Americans invested \$4.1-billion—\$3-billion in direct investment and \$1.1-billion in portfolio—upping the grand total to \$37-billion.

Three factors are expected to contribute to some decline from this record:

• Investment in new petroleum concessions, which totaled \$1.7-billion last year, faces a slowdown in the period immediately ahead.

• New U.S. trade restrictions on oil, zinc, and lead may have short-term dampening effects.

• There are indications that recession-born caution is being felt in the foreign investment field.

The long-term outlook is brighter, however. Development of the Western European Common Market is expected to open new doors. Also, U.S. demand for raw materials almost guarantees U.S. private investment in the development and exploitation of these materials.

Oil will continue as the leading investment field, followed by manufacturing and mining. The geographical distribution of American dollars isn't likely to change. Last year, Latin America led again, with a total of \$1.7-billion. Canada came second, with \$870-million, and Western Europe followed with \$500-million. The Middle East received \$100-million; Africa, \$40-million.

Du Pont Plans Paint Plant In Belgium, Weighs Orlon Project

Another U.S. industrial giant has decided to move in on the ground floor of Western Europe's six-nation Common Market—due to start functioning in January. E. I. du Pont de Nemours & Co. announced last week that it was forming a new company to build and operate an ultra-modern paint plant at Malines, near Brussels. Called du Pont de Nemours (Belgium) S. A., the new enterprise will be du Pont's first subsidiary operation on the European continent. Du Pont is also studying an Orlon plant for Belgium or the Netherlands, in order to tap the textile area of the Common Market.

The Malines plant is to be highly automated, and employ only about 100 workers hired locally. It will emphasize production of automotive finishes.

Business Abroad Briefs

Brazil has started work on its 1.1-million-kw., \$210-million hydropower development at Furnas Rapids on the Rio Grande. To help meet first-stage costs, the World Bank has loaned Brazil \$73-million. The project is expected to boost power capacity by 50% in central-southern Brazil, where 80% of Brazilian industry is located. It's designed primarily to provide energy for the mushrooming industrial complex around Sao Paulo.

Burroughs Corp. in Latin America has reached volume production on its first locally produced adding machines. They're being built at Burrough's plant in Sao Paulo, Brazil. The U.S. company began assembly operations of mechanical adding machines in 1952, and started assembling accounting machines two years later.

International Finance Corp. will invest \$200,000 to help build Guatemala's first modern flour mill. The \$1-million mill, to be built by Industria Harinera Guatemalteca S.A. on the outskirts of Guatemala City, is designed to turn out 19,000 tons annually of fine white flour.

A Latin American Payments Union, similar to the Western European Payments Union, might help solve Latin America's chronic monetary and exchange problems, according to the Chase Manhattan Bank's quarterly review, Latin-American Business Highlights. However, observers say that the EPU has some strong creditor countries with hard currencies, such as West Germany, while no similar situation exists in Latin America.

Combining the Atlantic Coast Line and

Would create a new southern rail giant...



Big Deal,

Norfolk

A flock of Wall Street rumors came true in a hurry last week when the Atlantic Coast Line RR and the Scaboard Air Line RR became the fourth pairing of major railroads that are officially exploring the possibilities of merger (BW-Oct.+58,p38).

The presidents of the roads—Thomas

The presidents of the roads—Thomas Rice of the Coast Line and John W. Smith of the Seaboard—announced that studies were being started at once, under independent consultants, as to "the possible advantages" of a merger. Behind the announcement lay two points of major significance:

• Merger of the Coast Line and the Scaboard would create a system rivaling in size and importance the mighty Southern Ry. (charts), and if Coast Line affiliates were included, it would in effect bring railroading in the south down to two big, financially sound competing systems. Plenty of Streeters believe such a set-up, in each major area of the nation, will ultimately be the only economically feasible sys-

Seaboard Air Line...

...Rivaling the big Southern Ry. system in trackage...



... And financially

	ATLANTIC	SEABOARD		SOUTHERN
Millions of Dollars	LINE	LINE	COMBINED	RY.
Assets	\$528.6	\$366.1	\$894.7	\$820.4
Revenues	163.3	163.1	326.4	266.8
Net Earnings	10.4	18.5	28.9	34.0

Or Quick Economies?

tem. Admittedly, any such development lies in a fairly remote future, and certainly there are many and heavy obstacles in the way of a merger of the Coast Line and the Seaboard, let alone gathering into the same basket the former's affiliates.

 Even if this merger does not go through, it is likely to lead to the thrifty elimination of duplicating facilities. Rail experts believe that such conomizing is an absolute must for any short-term solution of the general railroad troubles.

In their joint announcement, Smith and Rice said that "preliminary consideration . . . indicates that tangible economies and greater efficiency may be achieved, with resulting benefits for the public." They added that the studies would probably be ready for consideration by the two boards of directors within a reasonable time.

 Competitors—Streeters and railroaders alike were startled by the swift confirmation of the rumors that the studies were under way. The two roads have been fierce competitors for many years. Their tracks run virtually side by side in Virginia, the Carolinas, Georgia, Florida, and Alabama, with the Coast Line covering about 5,300 mi. and the Seaboard 4,100 mi. Both have important traffic tie-ins with northern roads at Washington, which they reach from Richmond via the north-south bridge line of the Richmond, Fredericksburg & Potomac, which they control jointly with other carriers.

For a long time, the Coast Line was undisputed king of the territory, but this has changed since the war. In 1946, the Seaboard emerged from a 16-year stretch in the hands of the courts—its second bankruptey in half a century. During the receivership, the road had been completely rehabilitated physically, while its once heavy overcapitalization had been thoroughly wrung out as a condition of its return to private operation. At the head of this refurbished Seaboard, was what



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has since proved one of the most aggressive "modern" managements in the rail industry.

The Coast Line-dating back to 1836 and roughly twice the age of the Seaboard-has had a less eventful life fiscally. Blessed at all times with "good" management, the road has never had to flee from its creditors into

the bankruptcy courts.

· Policy Shift-However, since the war the Coast Line has pursued policies radically different from those of the newly aggressive Seaboard. For many years, until Rice took over last year, the Coast Line was run by Champion (Champ) McD. Davis, a railroader of the old school, whose policies were extremely conservative and close-to-thechest. Every year, Davis poured millions of dollars into maintenance and improvements, so that both railroaders and rail analysts have long regarded his road as one of the best maintained properties in the industry.

Ultimately, this policy backfired to some extent. Many Streeters came to the conclusion that Davis was overmaintaining the road. On the average since the war he spent \$5-million a year more than Seaboard on maintenance of way and structures, another \$5million more on upkeep of equipment.

Davis' policy brought a split in Wall Street thinking. Many criticized him, but just as many praised him, with some analysts even urging their clients to shift from Seaboard to Coast Line, because of the "hidden assets" that Davis

was building up.

· Market Factors-Ultimately, the grumblers had an effect on the market. In the 1953-1956 leg of the 1949-1956 bull market, Seaboard shares moved up 147%, against a more modest 134% gain for the Coast Line. And despite the recent general rallying of rail stocks, Coast Line shares are still 28% below the 1956 high, while Seaboard is off only 18%.

Indeed, the Seaboard has been steadily increasing its share of the traffic in the area that both roads serve. Last year, the Seaboard's gross revenues were 37% higher than in 1947; the Coast Line had gained only 27% in the same stretch. In net earnings, the difference is even sharper. The Seaboard's 1957 net was 208% above 1947, while the Coast Line was up only 73%

The picture stayed the same through the "recession" months. This year, the Seaboard's January-July revenues ran 5% above the Coast Line's. And its net for the seven months was 64% higher, although it actually spent 5.7% more on maintenance than the Coast Line, with Rice at the throttle.

 Outside Interests—Smart Wall Street analysts wonder whether these comparisons are as valid as they seem at first glance. They concede some logic

to one of the leading investment advisory services that recently labeled Coast Line shares "speculative" and Seaboard "medium grade" or a notch higher. But they feel that this rating did not give enough weight to the Coast Line's interests beyond its own rail operations-last year "other income" accounted for almost half the income the road had available for fixed charges. For one thing, the Coast Line has long held a substantial interest in the 5,700mi. Louisville & Nashville RR, which serves key manufacturing and commercial centers in the mid-South. Today, the Coast Line owns a third of L&N stock, which has been producing an annual dividend income of around \$4.1million since 1952. At last report, the Coast Line held these shares on its books at \$35.4-million, though the stock's market value was around \$66million

In addition, the Coast Line and the L&N hold a joint lease on the Clinchfield RR, a 293-mi. road that ties the Kentucky coal fields to the Coast Line tracks in South Carolina. This not only enables the Southeastern states to tap important coal reserves, but serves as a valuable bridge line, since it is the shortest rail link between the Southeast and the Midwest. In 1957, the Coast Line's share of Clinchfield's net profits before taxes was nearly \$3-million; the year before it was \$3.6-million.

The Coast Line also has valuable non-rail interests. Through its Atlantic Land Improvement Co. it owns scores of packing houses and thousands of acres of farmland that it leases. And the road raises turkeys and livestock for Miami on a vast tract in the Ever-

glades.

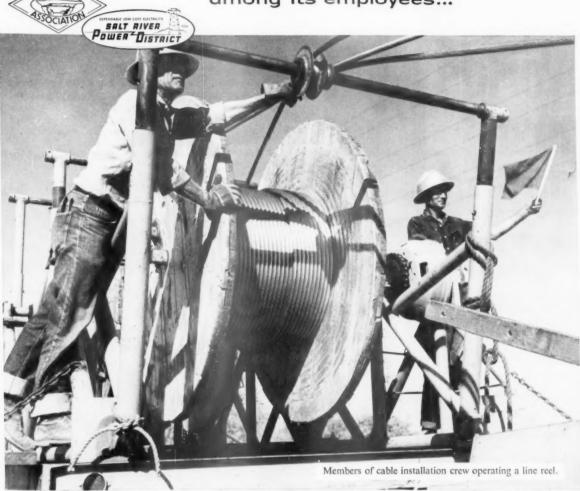
· Fiscal Setup-On the financial side, a merger of the Seaboard and the Coast Line would seem to offer no insurmountable technical difficulties. For both roads, equipment obligations and funded debt make up only about 36% of total capitalization; common stock and surplus constitute virtually all the rest. At last report, the Seaboard had \$20-million in working capital, the Coast Line \$28.8-million. For both roads, cash assets alone were about the same size as current debt. Of debts falling due in 12 months, the Coast Line had some \$9-million, the Seaboard \$8.3-million. The Coast Line has 2,470,281 shares of stock outstanding. the Seaboard roughly twice that many. · Big Obstacles-Still, Streeters think that there are plenty of obstacles to a merger. Trying to work out a fair agreement on the Coast Line's "hidden assets" would be notably thorny. And in any exchange of stock, Seaboard holders would be loath to overlook

the fact that-although dividends of

both lines have averaged about \$2 a

vear since 1952-the Seaboard's divi-

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dends have climbed steadily from \$1.05 in 1952 to \$2.50 in both 1956 and 1957, while the Coast Line's have held

to a steady \$2 pace.

Just who would run the merged roads is another difficulty that worries Streeters. They note that the roads have pursued markedly different policies since the war, with the Seaboard doing better,

at least on paper.

The Seaboard's 4.8-million shares are rather widely distributed, despite handsome amounts held by the investment trusts, which have preferred them to the Coast Line's. As for the Coast Line, nearly a third of its stock is held by the Atlantic Coast Line Co., a holding company controlled by Baltimore's Safe Deposit & Trust Co. Almost 4% is held by the L&N. As a result, it might be fairly easy to line up a majority of Coast Line shares for a merger, but it might well be much harder to marshal a majority favoring a merger among the more scattered Seaboard shares.

Toting up all these difficulties-plus others sure to crop up-most railroaders and analysts are inclined to doubt that the current studies are likely to end up in a full-scale consolidation of the two roads, at least for the time being. What they do think is that the studies will produce definite and immediate good by revealing important savings that can be made by eliminating duplicate ser-

vices and facilities.

As of now, both roads have their own stations, repair shops, and freight yards in such cities as Jacksonville, Sarasota, St. Petersburg, Tampa, Atlanta, Savannah, Columbia, and Norfolk. To consolidate them would inevitably pro-

duce major savings

• The Real Goal?-Some analysts feel that this sort of saving may be the principal goal of the studies, rather than any outright merger. They point out that Smith and Rice specified that the studies were aimed at gaining "the advantages of reduced operating costs through coordination of facilities at common points where duplication exists and the more efficient utilization of motive power, cars, and other facilities." As one Streeter puts it, "You can bet your boots that if a merger is deemed impossible to put through, the two roads will seize the opportunity to take advantage of any expense savings gummicks dug up by the studies through cooperation even if not through marriage.

One point that still has the experts guessing is whether, if the merger did go through, it would include those Coast Line affiliates, the L&N-which last year could boast of \$700-millions of assets, \$245-million of revenues and \$18.5-million of earnings-and the Clinchfield. Neither of these lines was mentioned in the announcement of the

studies. END

FINANCE BRIEFS

The New York Times Co. denies rumors it soon plans to offer stock publicly for the first time in its history. However, Treas. Francis A. Cox says he is "not in a position to speak" about the possible sale of outstanding shares now held by some members of the Times small stockholder family.

Stock in Chock Full O'Nuts Corp. will be available to the public soon when Pres. William Black puts up for sale 400,000 shares he now owns personally -50% of all the equity stock outstanding. This will be the first public sale of stock in the company, which operates a large New York chain of counter-service restaurants and distributes its own coffee in the Northeast.

Net rail earnings this year should run around \$550-million, Moody's Investor Service estimates. This compares with \$734-million last year and a record \$927-million in 1955; it would make 1958 the rails' poorest year since '49.

Sears, Roebuck's Allstate Insurance Co. now is "one of the . . . [nation's] . largest insurance companies . . . with respect to aggregate capital and surplus," says Pres. Judson B. Branch. Allstate has just received \$50-million of the proceeds accruing to Sears from its recent sale of \$350-million in new debentures and this has hiked its policyholder surplus to over \$150-million.

Hilton Hotels-Diners' Club negotiations have been broken off because of "a great many problems that could not be resolved," according to a Diners' Club spokesman. Involved was a proposal under which Hilton would have acquired a big interest in the club and turned over to Diners' the operation of 1-million Hilton credit cards. No further discussions have been scheduled.

Biggest buyers of mutual open-end fund shares in the first half of 1958 were California residents, reports the National Assn. of Investment Companies. They accounted for some \$106-million, or 15% of the trade's total sales of more than \$697-million in the period. New York Staters ran a close second with purchases of around \$104-million.

Another rail merger rumor circulated in Wall Street this week. It is said that Chesapeake & Ohio and the New York, Chicago & St. Louis, which C&O once controlled, have been mulling over the possibility of consolidating. Lynne L. White, Nickel Plate chairman, said this week his road is not currently engaged in any merger talks, but added that "the thought of merger or consolidation is always with us."



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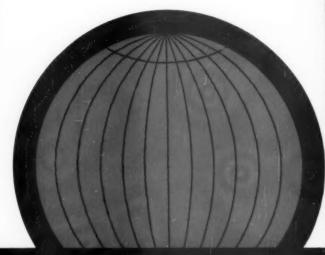
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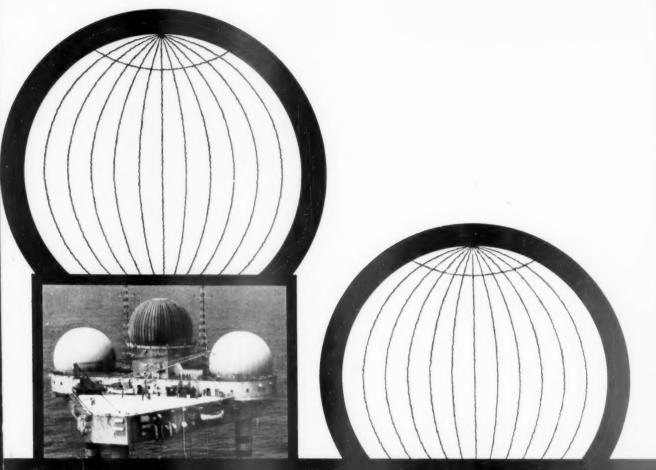
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Rheem Mfg. Co., Chicago, developed the special 55-gal. drum at its Richmond (Calif.) plant; Thermovac, Inc., of Stockton worked out the machinery for filling it; and Thornton Canning Co., Thornton, Calif., is the first company to put the combination to work. Thornton now is shipping concentrates of pears, peaches, apricots, and tomatoes to manufacturing customers.

New Process—Ordinarily, a food product is packed hot, the can sealed and held at a high temperature to insure sterilization. In the new "Sterile Pack" process, the food is sterilized, then cooled and packed into the drums in a sterile environment. Controlled cooling, made possible by the new process, is said to improve quality and consistency.

Úse of the larger drums also permits quicker handling of large volumes of food. And the drums themselves can be reused, unlike No. 10 cans.

The Sterile Pack drums are manufactured by Rheem, and the vacuum filling chamber and sterilization unit by Thermovac. Prices for the equipment depend upon the size of the installation. END



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1 In du Pont's new process for making printing plates, a sensitive plastic is exposed under ultraviolet light to a negative of material to be printed.



2 Plastic plate is then washed with a caustic soda, which leaves the printing areas in relief after eating away the plastic that wasn't exposed to light.



3 After drying, the flexible plastic plate is easy to bend for attachment to the press cylinder. It cuts short the preliminaries before a press run.

Printing

One example: new plastic plate materials (right). Such things are revamping an industry slow to adopt new ideas.

The printing technique pictured on these pages—one for making plates on plastic photographically—is one of a whole group of advances that someday may revolutionize the print shop. Today it's a mechanical jungle of clankings, hissings, and roars; tomorrow, thanks to all sorts of new photographic and electronic devices, it may be more like a quiet garden than a jungle.

It's about time for a change in the printing industry. It has been running up an ever-bigger volume of business-sales of \$4.5-billion in 1957, more than twice the 1947 figure and five times bigger than the prewar total. This doesn't include printing by big newspapers and magazines with their own plants. But until very recently, printing techniques hadn't changed for decades. Some say the last important shift was the introduction of mechanical typesetting \$0 years ago.

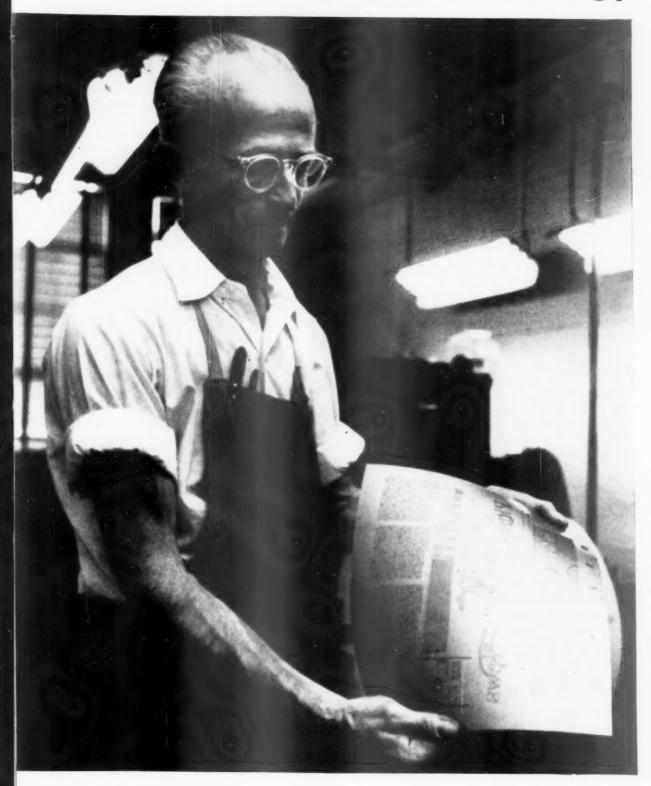
· Why So Slow-The industry has been laggard in streamlining itself for several reasons. Newspaper, magazine, book. and commercial printing have traditionally been considered too different from each other for improvements in one to benefit another. The industry consists of about 18,000 small companies, most of them operating with low profit margins; the largest does less than 2% of the total business, and 15,000 of the outfits employ fewer than 20 persons. Printing equipment is so expensive-a big rotary press can cost \$1-million-that most printers feel they can't afford to discard obsolete machines, whatever the blandishments of new models. Instead, they modify the old gear.

Most basic, perhaps, is the sharp division between the three principal kinds of printing-letterpress, lithography, and gravure:

Letterpress is printing from a raised surface—text set into metal type and illustrations made into engravings, or a plate cast from such material. The plate can be either a stereotype (used mainly by newspapers) or the more durable electrotype. Letterpress reproduces type more sharply and cleanly than any other process, and it gives the printer the most control over his work.

Lithography, known in its most common form as offset, is printing from a flat surface. Offset is the quickest method, and it's definitely cheaper than letterpress for short printing runs, for

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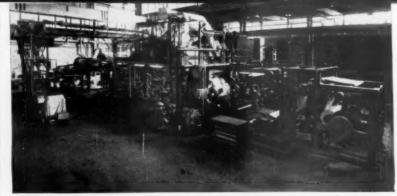
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reproducing a lot of illustrations, and for process color.

Gravure is printing from a recessed surface. It's favored for quality reproduction of photos and other art on cheap paper.

The keenest rivalry is between offset and letterpress. Because most printers tend to stick to only one of the processes, it's difficult for the industry to profit by a common advance.

• Foray Into Research—Anyway, printers have been slow to do research. According to one estimate, printers spend only 17¢ per \$1,000 of sales on research—against a \$20 average for all U.S. industry. But recently the lure of the expanding market has led giants such as du Pont and Minnesota Mining & Mfg. to develop new processes. Other printing researchers include publishers such as McGraw-Hill and Time, Inc., and press makers such as Harris-Intertype, which devotes \$3-million a year—about 5% of gross sales—to the subject.

The fruits of some of these studies were displayed to 2,500 printers brought to New York recently for a Letterpress Forum staged by the New York Employing Printers Assn., including a day-long closed circuit television demonstration of new and changing processes.

I. Faster, Better Printing

One of the areas where strides are most rapid is in developing new materials for printing plates. A plate is the master surface from which printing is done. In offset, the plate is made by taking a photographic negative of both pictures and text in a layout and producing the plate from this negative.

New plates, however, will enable offset camera equipment to make both offset and letterpress plates, and it will then be more practical for one printing shop to use both processes.

Of the new letterpress plates that are sensitive to light, the most attention is going to du Pont's photopolymer plastic (pictures, pages 94 and 95).

Under ultraviolet light from a whiteflame carbon arc, this plate is exposed to a negative of the material to be printed. Where light passes through the negative, the plastic hardens into printing surfaces. A wash of sodium hydroxide then eats away the soft, unexposed plastic and leaves the hard areas in relief

• Virtues—The whole process can take less than 20 minutes—or up to 50, in certain circumstances. This compares with an average of about five hours to make an electrotype plate. The process also eliminates several preliminary steps, such as making a metal engraving of art work and taking a mold of the type and engravings. One man can do the job instead of several.

Though the new plate material has stood up under as many as 1.2-million impressions, du Pont wants to make more field tests before making it available commercially. The company also must find production methods enabling it to reduce the price from the experimental \$10 per sq. ft., too high to compete with existing plate materials.

• Nylon and Zinc—Time. Inc., is working on a nylon plate applying the same principles as du Pont's plastic. For its own use, Time needs a plate for hurry-up deadlines, high-speed presses, and big press runs; du Pont's objective is a wider market. Still, Time's lab at Springdale, Conn. (picture, above) is testing du Pont's plastic plates and zinc as well.

Zinc plates are the only photosensitive type now on the market (from Mergenthaler Linotype Co. and Imperial Type Metal Co.). Unlike plastic, zinc must be etched with acid, with a buffer to prevent the acid from undercutting the raised metal. But it has many of plastic's virtues.

Another type of plastic plate under development isn't photosensitive; it's molded directly from metal type and engravings. The result is a light plate probably suitable, for fewer than 100,000 impressions. It takes longer to make than a stereotype but much less time than an electrotype. In quality,

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This custom-engineered Toledo automatically tests and classifies large coil springs. It is one of many types of Toledos used for classifying a wide range of items - from small packages to large cartons and production parts - in a variety of manufacturing operations.

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Toledos provide accurate, net weight listing and totals of bulk materials going into truck or carload shipments. Weighing is automatic. A Toledo weight-control console with automatic recording and totalizing unit may be remotely located for operating convenience.





Check These Specialized Jobs TOLEDOS Are Doing

When you have a problem in weighing, testing, counting, batching, sorting or weight data processing . . . and you want the practical, economical answer . . . it will pay you to check with Toledo. Toledo's complete line of industrial scales provides today's effective answer for a wide range of needs, or for special applications, Toledo Scale engineers will work with you on modifications or completely custom-engineered units. Toledo's huge reservoir of experience is your assurance of a practical, cost-saving solution. Let us help you. Write TOLEDO SCALE, Division of Toledo Scale Corporation, Toledo 12, Ohio.

TOLEDO

R HEADQUARTERS FOR WEIGHING SYSTEMS

ELECTRONIC AND HYDRONIC SCALES

Toledo Electronic Scale heads may be remotely located wherever convenient, because there are no mechanical connections. Toledo offers full electronic scales, also combinations with hydraulic or mechanical components to meet a wide range of requirements. For specific applications, digital indication of parts counts may be provided electronically.





Faultless Handles the Tough Jobs!

American Optical Company, Instrument Division, selected Faultless 1100 Series Double Ball Bearing Swivel and 1700 Series Rigid Casters for use on steel drying racks which move newly painted parts into drying ovens. There is no need to remove and re-hang painted parts in oven ... thus thousands of manhours are saved each year by the ability of Faultless



Osters to defy high oven temperatures. Faultless Casters can help solve your materials handling problems. Your Faultless Industrial Distributor will be glad to provide expert knowledge of casters and wheels. He stocks Faultless Casters and will recommend right type, load capacity and wheels to suit your requirements. He is listed in your phone directory under "Casters." Phone him or write for FREE Catalog.

n

Send filt copy of 20-	page Caster catalog, no obligation
Name	
Firm	
Address	
City	State

it's far superior to stereos and at least equal to electros, according to printers who have worked with it.

II. Other Transformations

Both typesetting and printing presses will feel the impact of the new plate materials.

Photosensitive plates will bring a big boom in photocomposition—setting type on film instead of in metal (BW—Feb.5'55,p88). The technique made its first bow for offset printing. Without phototype, it's necessary in offset to set metal type, take a proof, and photograph it, or else use typewriter-like machines to set type on paper, with lower-quality results. With phototype, the type is set directly on the film used in making the plate.

Now photocomposition is expanding into letterpress, especially for display advertising. With present letterpress plate techniques, an engraving must be made of a photoset page, as if it were an illustration, but this disadvantage will disappear with the new plates. At the moment, too, most phototypesetters cost more than metal typesetting machines, but manufacturers such as Photon, Inc., claim doing away with hot metal saves enough to compensate. Photocomposition will make a composing room more like an office than a factory, too.

• Fans of Metal—Still, most printers think metal type will be around for a long time. Some want to protect their investment in hot metal systems. Moreover, electrotypes made from metal engravings often give better reproduction of half-tone illustrations, and metal type matches this process better than photocomposition.

However, there is a middle ground between the two systems—the Brightype process, devised by Ludlow Typograph Co. In this process, metal type made up into a form is coated with a carbon black compound to provide a uniformly dull background. Then the printing surfaces are burnished to a contrasting high sheen. A special camera photographs the form, and the resulting film positive is used to produce an offset plate. Presumably, the technique can be adapted to photosensitive letterpress plates as well.

• New Presses—Photosensitive plates are designed for existing presses, but the molded plastic plates—using conventional metal type—have been geared for new, lightweight presses. One publisher is talking of a \$200,000 press to do the work of a \$1-million rotary press.

But since photosensitive plates are light, too, they will eventually mean new presses. Manufacturers are already devising fast rotary presses fed by a web—or roll of paper—similar to big

magazine presses but small enough for the middle-sized printer.

The new plates will reduce the time needed for make-ready—the business of preparing a press to roll. Many of them will be one-piece plates, with a plate for, say, a 32-page form taking the place of 32 separate plates. The plates will speed the trend toward tighter press control and automation and help spread other changes, such as internal lockup—attaching the plate to the press cylinder from the back instead of the front.

III. Electronic Approaches

Electronics are also revamping the printing trade. One of the newest contributions from this field is an electronic engraving process known as the Klischograph, a German invention marketed in the U.S. by Consolidated International Equipment & Supply Co., Chicago. By scanning color copy and converting the light impulses into electrical impulses that move a stylus, it makes the four separate plates for color printing directly—without the intervening process of making separation negatives for each color.

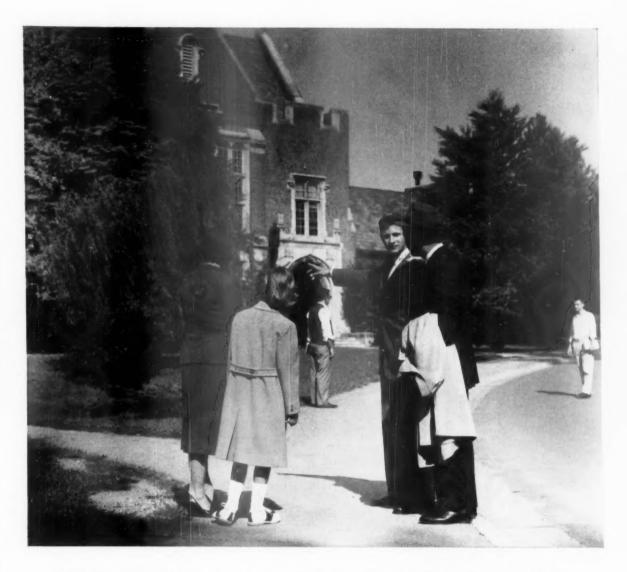
Similar machines for black-and-white engraving—the Scan-a-sizer and Scan-a-graver, made by Fairchild Graphic Equipment, Inc., New York—have already found a wide market. Time, Inc., has produced the PDI Color Scanner, which makes negative separations for color plates electronically.

• Vigilant Eyes—Electronic press controls watch web position and tension, color register, and other factors. It's thanks to electronics that the new \$4-million press built by Michle-Goss-Dexter to print Life magazine in the Chicago plant of R. R. Donnelly & Sons can attain web feed speeds of 1,500 ft. per minute (10 years ago, 800 was the rule). Electric eyes in web and register controls are linked to a central computer, which makes necessary adjustments, to keep local controls in step.

IV. Tomorrow's Print Shop

Ultimately, all these contrivances may turn the printing plant into a bright, quiet establishment unrecognizable to today's journeyman. Along the way, there will be other changes.

The new processes should encourage a trend, already begun, toward printing shops that combine letterpress, lithography, and gravure and minimize the rivalry between them. Since the new techniques are simpler and quicker, they should also boost productivity—traditionally low in printing—and reduce the number of men needed for each job. Printing's total work force probably won't dwindle, however, because the market keeps expanding. END



This is the center of industrial America

All over the area it's happening. As the warmth of summer is tempered and spiced by the tang of autumn, villages yawn and stretch and awaken. By car, by train and plane, thousands of bright young people swarm into these peaceful, pretty spots.

This is a typical campus in a typical college town in The Center of Industrial America. Close by are thriving industries producing such things as attrition mills, pulp refining equipment, farm machinery, grinders, cranes, fans, motors, engines and alloy castings—to name just a few.

Colleges abound here: 58 colleges in Ohio and 103 more in Pennsylvania. Most of them are in smaller towns just over the horizon from a humming industrial city. Few areas offer such a delightful mingling of small-town life with big-city opportunities as does The Center of Industrial America—served by the Ohio Edison System. Few places match its cultural attainments.

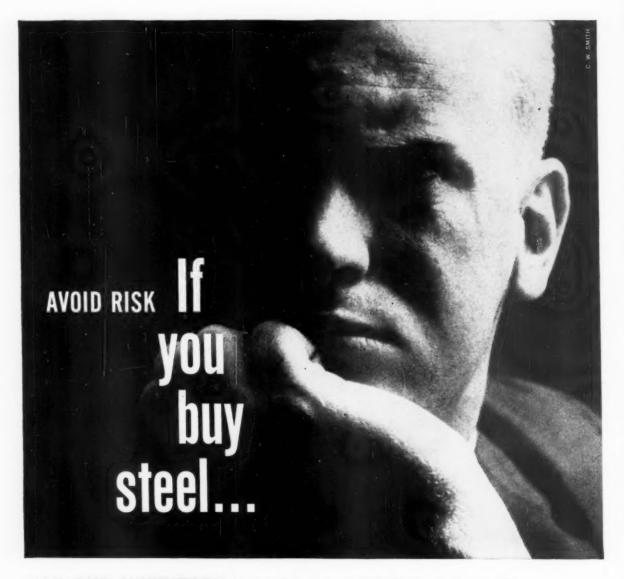


It's a good place to locate. For details on locating your plant in this region, write C. A. Thrasher, Ohio Edison Company, 43 North Main St., Akron 8, Ohio; or Paul Dingledy, Pennsylvania Power Company, 13 East Washington St., New Castle, Pa.

Ohio Edison System

OHIO EDISON COMPANY

PENNSYLVANIA POWER CO.



USE OUR INVENTORY to cut your maintenance costs

To keep a general-store inventory of repair-type steel inflates your maintenance costs and ties up capital uselessly.

Many people are closing out this kind of dust-gathering inventory to put themselves in a better competitive position.

They buy from their Steel Service Center, use our technical know-how, get most stock cut-to-size . . . promptly.

It makes sense. Couldn't you save costs of storage, space, handling, cutting, wastage and obsolescence if you were to do the same thing? Couldn't you free

capital now tied up in inventory? Wouldn't you save in other ways, avoid big-inventory risks, yet still meet maintenance and repair deadlines?

Wouldn't you be in a better competitive position? Compare all your costs of possession for steel with what Service Center steel would cost you. Use the chart. Or get the booklet What's Your Real Cost of Possession for Steel? from your nearby Steel Service Center. American Steel Warehouse Association, Inc., 540 Terminal Tower, Cleveland 13, Ohio.

FOR STEEL IN YOUR INVENTORY
Per ton delivered
Cost of capital:
Inventory

Cost of capital: Inventory Space Equipment Cost of operation:

COST OF POSSESSION

Space Materials handling Cutting & burning Scrap & wastage

Other costs: Obsolescence Insurance

Taxes Accounting

COST OF FREEDOM-FROM-RISK STEEL FROM YOUR STEEL SERVICE CENTER

Per ton, cut-to-size, and delivered TOTAL



The American Steel Warehouse

.YOUR STEEL SERVICE CENTER

INTERNATIONAL OUTLOOK

BUSINESS WEEK OCT. 11, 1958



The cease-fire in the Formosa Strait is likely to last beyond the oneweek limit set by the Chinese Communists. It might even go on indefinitely. That's the way things looked to Washington at midweek.

The State Dept., of course, doesn't exclude an about-face by Peking. But State believes the Chinese Communists have good reason for wanting to end the shooting. The U.S. Seventh Fleet and the Nationalists have had enough success in supplying Quemoy to pose a tough choice for the Communists: Either widen the war and clash directly with the U.S., or continue a bombardment that has shown no signs of forcing the Nationalists to withdraw.

Assuming the cease-fire is for real, Peking can be expected to engage in some tricky political maneuvering. It has been trying to lure the Nationalists into a deal, though keeping the talks with the U.S. going at Warsaw.

Once it is clear—as it soon may be—that Chiang Kai-shek won't bargain, the Communists probably will dicker seriously with the U.S. at Warsaw. To prepare for this, Peking has just strengthened its Warsaw delegation by the addition of Huang Hua. He was one of the top negotiators at Panmunjom.

Communist China's diplomatic objectives are clear. The Reds want full membership in the United Nations, including Nationalist China's seat on the Security Council. They also want possession of the offshore islands, and either control or neutralization of Formosa.

The U.S. probably will meet the Chinese Communists halfway—on condition they fall in line with Washington's "no force" doctrine. We would even agree to their membership in the U.N. General Assembly, as part of a "two Chinas" solution of the Formosa issue.

But Secy. of State Dulles would fight any attempt to seat Red China on the Security Council, or to neutralize Formosa. He wants to keep the Chinese Nationalist government as a going concern on Formosa.

Two Bretton Woods institutions—the World Bank and the International Monetary Fund—got a worldwide vote of confidence this week (page 26). At the New Delhi meetings of the Bank and Fund, there was virtually unanimous support for the U.S. plan to increase the lending capacity of both international agencies.

Within a year, there should be a doubling of the resources available to the World Bank and a 50% increase in the quotas, and drawing rights, of the IMF.

This week France began living under a new constitution, that of the Fifth Republic. On paper, it's a democratic constitution. But there is a far greater centralization of power than there was under the Fourth Republic. Here, in essence, are the differences:

The Fourth Republic was ruled by the National Assembly, which had complete authority over the executive. The premiers were voted in and out of office by a shifting majority of deputies, formed out of a dozen-odd parties. Deputies could become cabinet ministers without giving up their seats. Under this system it was seldom possible to translate the assembly's power into national policy.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK OCT. 11, 1958 Under the Fifth Republic, France will be ruled jointly by the executive and legislative branches, with the former holding the edge. The premier and his cabinet will be appointed by the president, not voted into office by assembly majorities. Deputies who become cabinet ministers must resign their seats.

Although the assembly will make the laws, the president can take disputed issues to the nation via referendums. While the assembly can vote a cabinet out of office, the new cabinet will be the president's choice. If the assembly or the premier should defy the president, he can declare a state of national emergency and assume complete power.

Gen. de Gaulle (soon to be president rather than premier of France) has begun to outline his Algerian policy. Last week he promised Algeria's Moslem population a five-year economic development plan and partial self-government.

Now it looks as if de Gaulle has no intention of negotiating with the Algerian National Liberation Front (FLN) and its government-in-exile. Instead, he apparently plans to negotiate with the 50 to 60 Moslem deputies who will be chosen in next month's elections. (These will be held in both Algeria and France.) If he can reach agreement with these deputies, de Gaulle can charge the FLN with fighting against the true representatives of the Algerian people.

Tiny French Guinea will be a large headache for de Gaulle in the months ahead. It was the only overseas territory to vote for independence in last week's referendum. But its rabid nationalism may spread beyond its borders, and undermine de Gaulle's sweeping referendum victory in the rest of Africa.

Real troublemaker is Moscow-trained Sekou Toure, who calls the plays in French Guinea. He wants Paris to continue, rather than cut off, the pre-referendum flow of economic aid. He holds a powerful trump card—Guinea's mineral resources. France's Pechiney-Ugine, along with Aluminium, Ltd. and Olin Mathieson Chemical Corp., already is starting to exploit local bauxite in a \$200-million aluminum project.

Paris is standing pat on letting Guinea go its own way. It's encouraging the 11,000 European settlers (mostly French) to pull out, and planning to sever all economic ties over the next two months.

That opens the door for Moscow to provide economic aid. The Russians quickly recognized Toure's new government last week.

West European airlines are arranging equipment-leasing deals to help speed—and finance—their entry into the jet age. Scandinavian Airlines System (SAS) and Switzerland's Swissair signed a lease agreement last week. Belgium's Sabena and Italy's Alitalia are expected to do the same soon.

Most airlines can't afford the costs of maintaining varied jet fleets. The SAS-Swissair deal calls for an equipment exchange of medium-range French Caravelles, intermediate-range Convair 880s, and long-range Douglas DC-8s. Each partner will specialize in maintaining one or two types of jets.

Spurring the moves to get jets into operation is the introduction this week of transatlantic jet service (page 25) by British Overseas Airways Corp. (BOAC).



More for your money in '59

Meet the remarkable Bell for Fifty-nine.. brilliant new leader of Bell's executive line. It's a businessman's dream of luxury aloft.. yet there's scarcely a job of travel it can't do! This you know from its past.

Behind this high-stepping Bell are almost three million hours of work time. Behind it, in the log books of business and industry, is the extraordinary record of money it's saved.

What it offers you in Fifty-nine are features like these: Greater range from streamlined, high-capacity fuel tanks..better bite, smoother flight from all-metal blades..opulent new cabin styling..CAA-endorsed Day-Glo safety trim. In all, twenty-five advancements in engineering and beauty, to make your Bell the worthiest member of your fleet.

This great helicopter is ready for delivery now. If you're interested in a demonstration and/or full descriptive information, write us today. Department 11J, Bell Helicopter Corporation, Fort Worth, Texas.

ENGINEERS: For this helicopter and other commercial and military Bell models, and for experimental projects involving radically new concepts, we are ever strengthening our engineering forces. If you are interested and feel you are qualified, please write us.

BELL Helicopter

FORT WORTH, TEXAS . SUBSIDIARY OF BELL AIRCRAFT CORPORATION

How to take the miss out of a missile

The laws of physics being what they are, a projectile fired from a modern military weapon would wobble or even tumble end-over-end but for one thing. It's a simple band of copper or copper alloy, known as a rotating band, which encircles the shell. When the gun is fired, spiral rifling in the surface of the bore engages this soft band causing the projectile to spin rapidly as it leaves the muzzle. Wobbling and tumbling are prevented and maximum accuracy is insured.

Our Wolverine Tube Division is a major supplier of these bands, meeting without difficulty the rigid requirements and exacting specifications of the Ordnance Department. Here, again, is evidence of the high standards maintained by each division of Calumet & Hecla exemplifying the C & H philosophy, "Quality is the best policy".

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Canada Vulcanizer & Equipment Company Limited
Unifin Tube Division



In the Markets

Government Bond Market Snaps Back In First Rally Since Summer Slump

The first sustained rally in the government bond market since the debacle of last summer took place this week. After a disastrous drop to new lows last week, the market suddenly snapped back, retracing most of the losses suffered since the Treasury's last financing.

There was no big rush to buy, say dealers, but after the wave of selling subsided, some purchasers came in on the grounds that the market had been oversold. One dealer reported speculators were sparking the rally.

It's doubtful that the rise can be maintained. Bond prices—and yields—probably will stabilize around their present levels. The Treasury's financing problem puts a ceiling on any rise in prices and the market has already so fully discounted the expected recovery in business that no further decline seems likely. The bond market, like the Fed (page 58), is now entering a "wait-and-see" period, and no strong trend is likely to develop until the economy confirms the present outlook for recovery or the Treasury does some more borrowing.

Demand and Dearth of New Issues Is Pushing Stock Averages Up

Demand for stocks continues to keep the averages moving up. It's been the longest rally that many observers can remember, so there is growing apprehension about its continuance. But professional caution doesn't seem to daunt the public—or institutional—investors.

One indication that the professionals failed to appreciate the force of the rally is the paucity of equity financing by corporations. Equity financing fell off with last year's drop in prices and has not been resumed with the recovery. Thus the big demand for the limited amount of stock available had driven prices up.

It may be that corporations whose shares are selling at high prices will now come in with equity issues. This should test the over-all strength of the market.

Speculation in Treasury Bonds Defended by Dealer as Beneficial

A spirited defense of speculators in Treasury bonds was made this week by Aubrey G. Lanston, of Aubrey G. Lanston & Co., one of the larger government bond dealers. Noting that speculators are being blamed for the debacle in the government market, Lanston pointed out that both the Treasury and the Federal Reserve "invited" speculation and added that "without a good dose of speculation the Treasury would not have been able to sell the \$26.5-billion of securities with a term

longer than one year that it sold during the 11 months ending last June."

Lanston warned against imposing new regulations to restrict speculative purchases—now available on margins as low as 5%. He argued that "excessive speculation tends to be self correcting" and those who got into the market without adequate knowledge or credit "will not want to try again."

Disputing that speculators damaged the credit of the U.S., Lanston said "the activities of the speculators first helped the Treasury to further its objective of lengthening the debt" and later served to "focus attention on the need of the government" to get its budget in order. He felt speculators "may well deserve a vote of thanks" and reminded the Treasury its restrictions would not be wise because speculators may be needed again.

Two New Mutual Trusts Play It Safe By Investing Heavily in Blue Chips

One William Street Fund and Lazard Fund, the new mutual trusts with over \$374-million in new money to invest, gave the public a clue to their policies in their first-quarter reports. Both funds played it safe, concentrating their buying on blue-chip industrial common stocks. Lazard's largest purchase was of American Telephone, while One William favored IBM.

The one surprise that emerges is One William's heavy commitment in government bonds, which went into a tailspin this summer. The fund bought \$22.6-million of the 2\{\frac{1}{2}\}\% bonds issued last June, and by Sept. 30, had a paper loss of about \$1.5-million. But this was more than made up by its stock purchases—One William had first-quarter net unrealized portfolio gains of \$7.8-million.

Stock Market's Continued Vigor Worries Some of the Pros

The continued strength of the stock market is beginning to worry some professional observers:

Arnold Bernhard, of the Value Line Investment Survey, says the "stock market is overvalued by approximately 30%—in relation to earnings and dividends," and predicts a decline of at least 15% in the near future.

Anthony Gaubis, of Anthony Gaubis & Co., also thinks the market is too high. He observes that "it could be a very serious error to overlook the tremendous surge of speculative interest in contrast with the relatively quiet markets which prevail when stocks are in a cyclical and long-term buving range."

Stanley A. Nabi, of Schweickart & Co., feels that a correction "appears to be overdue," adds that "such an adjustment will place the market on firmer ground for further progress."

Eliot Janeway, of Janeway Publishing & Research Corp., considers that "the stock market at present levels is offering the prudent investor a short-term selling opportunity" while "the bond market is on the verge of offering the investor and speculator alike as compelling a buying opportunity."

Race Grows Hot to Tap Canada's

But end is in sight, with signal for Canadian exports expected soon; and giant U.S. rivals close in for the finish.

Natural gas is the hottest fuel commodity in the U.S. today. In 10 years it has climbed from 16.6% of all energy consumed in the nation to 27%. It's in strong demand, too, as a feed-stock for fast-expanding petrochemicals. There's a steady push for new sources to supply gas-hungry cities and industries that constantly clamor for more.

Across the border in western Canada lies a vast reservoir—24.5-trillion cu. ft. in proven gas reserves, with future potential reserves put by the Canadian Petroleum Assn. at 308-trillion cu. ft., against total known U.S. reserves of a bit more than 230-trillion. Yet last owar, for lack of facilities to bring gas to market, the province of Alberta wasted—or flared—some 69-billion cu. ft.

Put these two factors together, and a marriage—of convenience and interest if not of mutual affection—is inevitable. And almost any day now, Canadian Prime Minister John Diefenbaker will receive a report setting the stage for the eventual ceremony. At least, that's what the big U.S. pipelines are betting on.

They figure the interim report from the Royal Commission on Energy will almost certainly recommend that Canadian gas be exported to willing and unyious customers in the U.S.

anxious customers in the U.S.

Over the Hurdles—That won't necessarily mean that Canadian gas will move to U.S. markets this year—and maybe not next year. But it will start to move in quantity before too long—and U.S. companies are already in a hot race to latch onto the flow. The map (cover and right) shows how the battle lines—and the pipelines to channel the flow to U.S. markets—are shaping up.

The race has been under way almost since the vast scope of the western Canadian gas reservoir became visible. It slowed down, though, as it wound its way through the bypaths of Canadian politics and nationalist sentiment, and the hearing rooms of Canadian and U.S. regulatory bodies.

Now it's speeding toward the finish line. The raging Canadian debate over whether or not to export gas to the U.S. has simmered down and become in reality academic—though there may still be difficulties over prices and over the question of how much gas is available for export. In the U.S., two of the big pipeline companies involved are bidding for a Federal Power Commission ruling on their case by Nov. 1.

When the inevitable breakthrough comes, it will mean:

 A sixfold increase within two years of the present 200-million-cu.-ft.a-day trickle of Canadian gas across the border.

 A boom for western Canada possibly the biggest it has known.

• A new wave of expansion and pipeline building for U.S. companies.

I. Contenders

Expansion of the U.S. natural gas industry up to now has been based mainly on the gas fields of the southwestern U.S.—and the industry's growth to meet the surging demands of industrial areas to the north and east has spawned some giants. In the race to tap the vast new source north of the border, three of the biggest gas outfits in the U.S. are contenders.

First to grab a corner of the prize is Pacific Northwest Pipeline Corp., which has been taking a modest 200-million cu. ft. a day since last October at the international border at Sumas, Wash., from Westcoast Transmission Co. Ltd. PNW is controlled by and connected with El Paso Natural Gas Co. headed by Paul Kayser.

These two lines together (BW-Jan. 26'57,p76) make up as large a pipeline complex as you could stumble across anywhere in the world. To supply newly opened outlets in Washington and Oregon and help fuel the system's huge California markets, they have asked for at least twice as much Canadian gas as they're now getting.

Long-time entry in the race is Tennessee Gas Transmission Co., of Houston, with its subsidiary, Midwestern Gas Transmission Co. A decision is expected soon from both Canadian and U. S. authorities on Midwestern's bid to build a pipeline to bring Canadian gas to Midwestern states and tie into TGT's main system near Nashville (BW-Jan.28'56,p96). The gas would flow in from the 2,300-mile Trans-Canada Pipe Lines system now nearing completion

Midwestern faces a price boost if it doesn't have an FPC certificate by Nov. 1; so it and parent TGT are trying to get FPC to cut a few thousand yards of red tape and come to a decision fast.

Third contender is sprawling Pacific Gas & Electric Co. of San Francisco. If it gets the needed permits, PG&E



GARDINER SYMONDS' TGT wants line to bring in 200-million cu. ft. a day.



PAUL KAYSER wants to double 200-million cu. ft. a day El Paso group now gets.

will spend some \$327-million to run a 1,300-mile transmission line all the way from central Alberta to San Francisco. The Canadian part of the system—Alberta & Southern Gas Co. Ltd.—was formed by PG&E, the Stephen D. Bechtel interests, and Canadian groups

The three contenders would tap the richest part of the vast Canadian reser-

Huge Gas Reserves for U.S.



voir. Midwestern and PG&E would draw on several fields in southern and central Alberta in which Trans-Canada and Alberta & Southern have large commitments. Westcoast Transmission, feeding the El Paso-PNW systems, has substantial proven—and vastly larger potential—reserves in the Peace River area of northwestern Alberta, extending into British Columbia; and in partnership

with Jefferson Lake Sulphur Co. of New Orleans, it has other reserves south of Calgary.

II. Climax in Canada

Over-all, the gas picture in Canada today, as one expert observer sees it, is closely parallel to that in the U.S. in the 1920s. The U.S. had a great deal

of gas in those days; but much of it was a nuisance because there were no pipeline outlets for it, so there was an appalling waste.

Alberta, for example, discovered nearly 3-trillion cu. ft. of gas last year—but used only a trickling 111-billion cu. ft.

The pressure of hard facts is therefore overbalancing the cries of "Keep

TRU-LAY

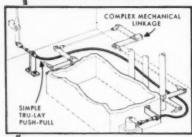
REMOTE CONTROLS

make hundreds of products more useful ... more salable



Bulletin DH-461 offered below shows how the Precision Construction of these PUSH-PULLS provides sustained accuracy, lifetime service and improved operating characteristics for literally hundreds of products (ranging from relatively delicate photographic equipment to the roughest and toughest dirt-moving equipment) to make them more useful... more salable.

Here is a picture of SIMPLICITY vs COMPLEXITY



Tru-Lay Push-Pulls are simple . . . have only one moving part . . . provide lifetime service, lifetime accuracy, low overall cost . . . and they are noiseless. We have never heard of a Tru-Lay Flexible Push-Pull wearing out in normal service.

Mechanical Linkages, as shown dotted in the drawing, are complex, have many parts, many points of wear to create increasing back-lash with loss of accuracy and multiple vibration rattles.

Write for BULLETIN DH-461

for a clear picture of how the flexibility of Tru-Lay Push-Pull Remote Controls simplifies design and assembly ...cuts costs for Engincering and Production.





AUTOMOTIVE and AIRCRAFT DIVISION AMERICAN CHAIN & CABLE

601-A Stephenson Bldg., Detroit 2 2216-A South Garfield Ave., Los Angeles 22 929-A Connecticut Ave., Bridgeport 2, Conn.



NATHAN TANNER'S Trans-Canada Pipe Lines got in political bog in building line to eastern markets, now is nearing completion.

Canadian gas for the Canadians." The Royal Commission on Energy, headed by 58-year-old Toronto industrialist Henry Borden, has been hearing exhaustive testimony for months on the questions of how much natural gas Canada has, how much it will need for itself, and whether it's a good idea to export any excess. Evidence piled up in thousands of pages of sworn testimony overwhelmingly points to these conclusions:

 Canada has more known gas reserves now than it can possibly use now.

 Potential reserves are at least 12 times present reserves.

· By all means, Albertan and British Columbian gas should be exported. · Long Road-Canada has come a long way around to reach this point. Gas, originally found in western Canada as a byproduct of the search for oil, was thousands of miles from the industrial markets of the Canadian East-and the first essential was a pipeline. But a 2,300-mile pipeline system spanning thinly settled areas was a costly proposition. The line might never have got a start if Pres. Gardiner Symonds of TGT had not helped the original promoters of Trans-Canada Pipe Lines Ltd. to get their initial pipe, by ordering the then scarce 34-in. pipe and turning it over to Trans-Canada.

Then the question of government financial aid got the pipeline tangled up in a bitter political fight that had much to do with the fall of the Liberal government.

Prime Minister Diefenbaker, whose Conservative Party election program had a somewhat nationalist slant, found himself on a spot—and set up the Borden commission to make a study.

Through its widely reported hearings, interested Canadians have got a better understanding of their gas situation, and opposition to export of gas has died down. Canadian gas men—who all along wanted to sell to whoever would buyfeel that if their gas is to be marketed at all, it must be in the next 25 to 30 years, before atomic energy takes over.

There remain some tough points to be decided, of course—not only just how much gas is exportable but these other ticklish questions: Who should get it? And what's to be paid for it?

III. How the Race Stands

If Canada's wave of nationalist sentiment threatened for a while to engulf all the U.S. entrants in the race for Canadian gas, other less dramatic obstacles have at times slowed the race to a maddening crawl.

Take just one of the contenders, Tennessee Gas Transmission. Winning the right to build and operate its proposed Midwestern pipeline means arguing and proving its case before (1) the Alberta Oil & Gas Conservation Board, (2) the Canadian Board of Transport Commissioners, (3) the Canadian Department of Trade & Commerce, and (4) the Federal Power Commission in the U.S.

What slows down the race along such a route is not only the need to convince sometimes reluctant bureaucrats, but the competitive rivalries that often flare into bitter disputes before these agencies.

With the race now in sight of the finish line, here's how the three big contenders stand—and what they propose to do to latch onto a profitable share of Canadian gas.

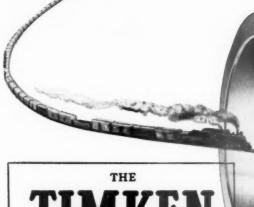
 Get-Together—One battle that ended in cooperation for mutual profit was the one that brought together Pacific Northwest Pipeline and its Canadian source, Westcoast Transmission. Westcoast was the product of the foresight of Calgary's Frank McMahon, who once envisioned taking his pipeline all the way to California markets, but after some titanic scrambles was stymicd at the border by a tough Texan, Ray Fish of PNW.

Canadian markets along the Westcoast system could not make the pipeline economically feasible. But the deal McMahon eventually worked out with Fish for Fish to take 200-million cu. ft. a day at the border did accomplish that.

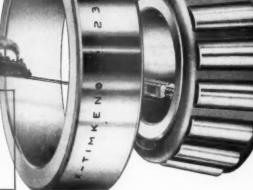
Now, with PNW controlled by El Paso Natural Gas and Paul Kayser, moves are under way to more than double that throughput, and to build a 256-mi. line from Westcoast reserves in southern Alberta to a point near Spokane to bring in another 170-million cu. ft. a day. The Kayser-McMahon contract would involve a total of 1.3-trillion cu ft. over 25 years.

· Rival-But the whole El Paso-PNW-

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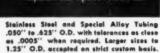


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RIVALS-Frank McMahon's line in Canada serves El Paso group; Stephen D. Bechtel (right) has hand in PG&E Canada affiliate.

Westcoast complex faces a formidable rival in Pacific Gas & Electric. Kavser's system now supplies PG&E with all the gas it gets from outside California, but PG&E apparently doesn't want to be completely dependent on someone else. (El Paso also supplies gas at the California border to Southern California Gas Co., controlled by Pacific Lighting Corp.)

Arguing for the right to build a 1,300-mile pipeline from Alberta to California, PG&E plays up these contentions: It has an existing, not a potential market; it has contracted to give utilities in Alberta first call on gas purchased, thus protecting Canadian markets; and its route to California would be the most economical and direct.

This buildup implies that PG&E's plan would better serve California markets than PNW's proposition. Some observers point out that PG&E's strongest point—before FPC, at any rate—is that its plan would introduce very substantial new competition into the market.

• Jolt—Though there were earlier skirmishes over prices, all the U.S. applicants have since indicated a willingness to pay what producers themselves agree is a fair price for gas. Kayser is even willing to pay Westcoast a price affording a 7½% rate of return (against 6% allowed U.S. pipelines).

allowed U. S. pipelines).

But both Westcoast and PG&E's Canadian arm, Alberta & Southern Gas, got a slight jolt last month from the Alberta Oil & Gas Conservation Board. The board said the two companies together were asking for more gas over the next 25 years than it figures is available for export on the basis of proven reserves. It gave them until Dec. 31 to

bring their applications into line with its estimate of the exportable surplus.

• Controversy—For Tennessee Gas Transmission, the third U. S. contender, the main roadblock—aside from its interest in Trans-Canada's troubles—has been in the FPC. The proposed pipeline of its subsidiary, Midwestern Gas Transmission, would take an initial 200-million cu. ft. of gas a day from Trans-Canada at Emerson, Manitoba.

When TGT's project was first proposed, it brought howls of rage and strenuous opposition from a number of Midwestern companies. Peoples Gas Light & Coke Co. of Chicago and its subsidiaries cried "invasion of our territory." TGT countered with the argument that "these markets have existed for you for years and you never served them; we can." The opponents converged on the FPC, and the sparks are still flying.

But the FPC proceedings are soon to be concluded. Transmission companies entrenched in the Midwest have suffered serious setbacks, and informed sources say Midwestern will soon be "in business."

IV. No More Blues

Construction of the new U.S. pipelines—as well as the completion not too long hence of the last link in the Trans-Canada line—will be good news to Canadian gas producers. Right now, oil and gas men in Alberta and British Columbia are singing the blues. They're not selling much, and so aren't drilling much. One large independent, Pres. Walter Hohag of Banff Oil Ltd., of Calgary, says flatly that Alberta is "in the midst of a good depression."

There are more stacked rigs in Alberta today than there are rigs drilling. In western Canada, some 700 proven producers are capped.

So far, most of Canada's income from its petroleum resources has come from oil; gas has contributed a mere 3.4% of the total.

• Visible Future—But a brighter future is visible down the long lengths of pipe. Says Hohag: "By the close of 1960, we should see a lot of our closed-in gas fields producing. Income for us independents should quadruple." Many producers believe income from gas will soon overtake that from oil. What will make all this possible, of course, is the big pipelines.

Oil and gas men agree that, if all the potential markets get free rein, western Canada is on the threshold of the biggest boom it has known. And the boom won't be expensive to generate. It's estimated that it costs about \$25-million to develop a trillion cu. ft. of reserves in the Peace River area of northwestern Alberta—and a trillion cu. ft. of gas delivered to the consumer is worth about \$400-billion. END

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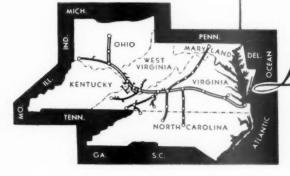
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Hoffa Points for a Showdown

Within a few weeks, decisions in suits should determine whether Hoffa can continue as Teamsters chief.

■ The most important case involves the legality of the monitor system set up to oversee a clean-up campaign.

If the system is declared illegal, the court once again could enjoin Hoffa from holding office.

A complicated set of legal maneuvers is forcing a final decision on the future of Teamsters Pres. James R. Hoffa.

Almost anywhere you turn in Washington, attorneys for the Detroit labor leader and the antiracket forces are filing court petitions—and sometimes they're so mixed up that the parties are arguing against themselves.

Within the next two weeks, decisions are expected that will determine, once and for all, whether the scrappy union official is going to continue to serve, officially, as Teamsters president, or if

he is going to be forced out by growing pressures of an opposition that accuses him of running a corrupt union.

I. Maze of Suits

While the objectives are clear, the legal steps toward them have developed some peculiar situations. For instance:

• John Cunningham, head of a rank-and-file Teamsters group that won a court-approved monitor system over Hoffa's stewardship is now suing one of the monitors. Cunningham, whose name appears for the monitors on all legal documents, accuses Godfrey P. Schmidt of misappropriating the rank-and-file funds.

 Monitors' Chmn. Martin F.
 O'Donoghue, who wants more power to clean up the Teamsters, is asking in court that the monitors be abolished.

 Attorneys for Hoffa, who want to dislodge the monitors from Teamsters headquarters, are appealing to the courts to rule that the monitor system is legally constituted.

While this may seem a lawyers' maze, the end result can be understood by everyone. There are just two sides—Hoffa and those against him. After two years of successfully sidestepping attempts to dislodge him from the Teamsters leadership, Hoffa is ready to move out on his own with no strings attached (BW–Sep.20'58,p130). Meanwhile, time is running out on the effective opposition, now down to the monitors; this could be the last stand.

· Continual Surveillance-While Hoffa

has been serving as president for seven months, and has survived a series of court trials and protracted hearings before the McClellan anti-racketeering committee, his opposition as head of the union has never—yet—been beyond challenge. He took office several months after his election as a result of a consent order that allows him to run the union, but under scrutiny and supposedly subject to the advice of a court-appointed three-man board of monitors.

The monitors have the only grip on the nimble labor leader—and it is a light one. Other opposition groups—the AFL-CIO that expelled the Hoffaled Teamsters en masse and the McClellan committee that singled out Hoffa as its top target—haven't affected his hold on the 1.6-million member union in any visible way.

So, about the only hopes left for halting Hoffa now rest on what the monitors can accomplish. And since it's obvious Hoffa's future won't be decided through a monitor-sponsored clean-up and a formal reelection, both sides are using their big guns in court.

II. The Issues

Cunningham, a New York truck driver, filed suit in District Court this week against Schmidt, originally attorney for rank-and-filers in their suit to oust Hoffa. He alleges mishandling of funds collected for the suit, and charges that Schmidt refuses to give an accounting of \$50,000 in collections and has sought to depose Cunningham as leader of the rank-and-file.

• Parallel Suit—While this clouds the legal issues somewhat, Cunningham's suit has some parallels to one filed by the Teamsters leadership against Schmidt. The Hoffa attorneys accuse the monitors of "conflict of interest" by representing employers while a Teamsters overseer and of submitting a toohigh expense account.

While these might be considered fringe suits, if they affect Schmidt's status it would leave two monitors split on Teamsters issues. O'Donoghue and

Schmidt want a crackdown on the Teamsters. The third monitor, a Teamsters attorney, L. N. D. Welles, has dissented from most monitor orders.

• Major Cases—The big cases are those between the Hoffa attorneys and O'Donoghue. In these, each side is shooting for a quick decision.

Their appeals are being made in District Court before Judge F. Dickinson Letts, who set up the monitors system with the consent of the Teamsters and the suing rank-and-filers. Their arguments all hinge on Letts' interpretation of the consent order.

Basically, O'Donoghue argues that Teamsters leaders are violating the consent order by not obeying clean-up directives. He says they haven't complied with 10 out of 21 orders—and have engaged in other violations, such as clearing the election of Harold J. Gibbons to head Joint Council 13, in St. Louis, without first checking with the monitors.

The suit lists the monitor orders and accuses Teamsters officials of delays and outright resistance. It asks, in part, that Judge Letts order the Teamsters to comply with the orders, and that the monitors be given more authority, including subpocna powers.

III. Monitors Maneuver

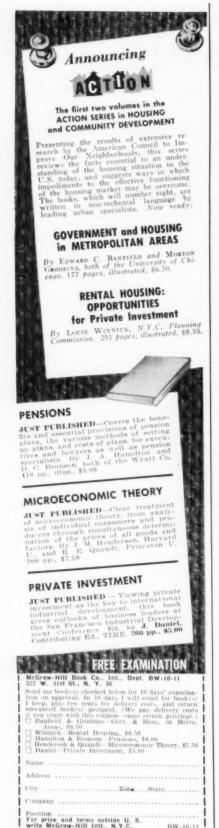
With this suit already in court, O'Donoghue last week threw in a sleight-of-hand argument. He asked Judge Letts to consider whether the monitors were really set up legally after all.

A consent order, he suggests, may require that the terms be furnished to all parties concerned—in this instance, the full Teamsters membership. Since this wasn't done, he says, the monitorship may be illegal.

If Judge Letts agrees, Hoffa might once again be enjoined from the presidency, and the rank-and-file suit would revert to trial.

• Teamsters' Stand—The Teamsters, apparently surprised by the last maneuver, counter that the monitors are really legal since the order was distributed throughout the organization. They argue it was summarized in the Teamsters magazine sent to all members and got wide press coverage. In addition, not a single member complained about the monitor program, the union contends

While the Hoffa forces argue the legality of the monitors, they want to dispose of them. Their counter petition claims compliance with most monitor



directives, and argues that in any case, their intentions have been good.

The terms of the consent order are the central point of the argument. It provides "advisory and recommendatory powers" for the monitors but at the same time says that the monitors "shall file a petition for enforcement of this order with the court." If the decree is followed in full, the Teamsters could hold an election convention after one year—the step Hoffa is seeking.

In Autos, Peace Comes Slowly

Local grievances slow the back-to-work flow after Big Three contracts are signed. And pacts still have to be negotiated by smaller companies and suppliers.

With national contracts for workers in Detroit's Big Three signed, sealed, and delivered, although unratified, most United Auto Workers members this week began to return to jobs as local disputes were concluded.

But the settlement by Chrysler and General Motors on essentially the same economic terms as Ford (BW-Sep.27 '58,p133) didn't mean that labor unrest in the auto industry was ended.

This midweek, non-economic demands in GM locals, a recalcitrant office workers group that wanted more money from Chrysler, and skilled workers dissatisfied with an extra 8¢ "skill" raise held back production in the giants of the industry. And settlements are yet to come at Studebaker-Packard and American Motors, and with UAWorganized tool and die shops and auto parts suppliers.

• Motor Scooters—When GM's Lou Seaton and UAW Pres. Walter Reuther signed the GM pact last week, both sides recognized that GM locals had the right to continue striking pending settlement of some 3,000 plant demands. These are mostly non-economic and although some could prove costly—one local is asking motor scooters for union committeemen—are expected to be worked out at the local level before an Oct. 20 ratification deadline.

The main focus, however, is now on the groups where negotiations were held in abeyance until the Big Three contracts were reached. UAW's announced policy is to seek identical 1958 contracts at the smaller auto plants and suppliers. In 1955, when production was high, UAW asked for and won rubber-stamp contracts. Hard-pressed at that time, AMC got some relief.

This year, most of the smaller UAW employers are expected to resist any "pattern" contract. In fact, many plan to ask for wage cuts, which could lead to a rash of strikes, even though the union recognizes that Studebaker-Packard, suppliers, and tool companies have had a rough time this year. The international may give the locals more autonomy in settling their contracts and temper demands for "pattern" terms.

• Talks at AMC—The key to how the

Auto Workers may settle with the smaller shops could come from talks with American Motors, which began again this week after several months of inactivity. UAW immediately served a 10-day notice terminating its contract.

The outlook at AMC is for a fairly rapid settlement on what are, essentially, Big Three terms.

• Extra Gains-In settlements with Chrysler and General Motors last week, UAW could claim advances in areas not reached in the Ford contract. Of these, the most significant is the areawide seniority agreement worked out by Chrysler. All of Chrysler's multiplant operations are concentrated in the Detroit area, while there are single plants in six other cities. A number of the Detroit plants are outmoded, and the corporation has been building new ones which, being more fully automated, may require fewer workers. Meanwhile, the older plants have been reducing their work forces, due to lower production and more modernization.

Out of this has grown the usual problem of high seniority men being laid off in one plant while workers with lower seniority are being rehired in other plants. So Chrysler has agreed to set up two seniority lists: one area-wide and the other plant-wide. In rehiring the company will take one man from the plant seniority list, then the next from the area-wide list, and so on.

• Briggs Contracts—In addition, Chrysler finally has succeeded in combining the old Briggs (Automotive Body Div.) contracts with the general contract. In effect, this should reduce the ratio of shop stewards from one to every 39 workers at Briggs to the corporation average of one to 110 when the next steward election is held in November, 1959. The union and the company agreed to better grievance procedures, which should substantially reduce stoppages over work standards.

The differences between the GM contract and the one signed at Ford were designed to bring GM in line with Chrysler and Ford economic terms. In the past, GM has had an advantage in hourly rates over the others.

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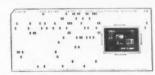
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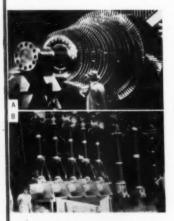
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a fund of between \$2.5-million and \$3-million (1¢ per hour for each of GM's approximately 275,000 UAW members) to correct wage differentials. In 1955, GM set up a fund based on 2¢ per hour.

In plants having three shifts working around the clock, such as foundries, GM has paid workers for only 7½ hours work in the past, while Ford and Chrysler paid for eight hours, in effect a paid lunch period. In the new contract, GM will conform to the pay practice of the other companies.

Meany Will Arbitrate Issues in Ship Dispute

AFL-CIO Pres. George Meany stepped into an unusual role this week to settle a six-day strike that tied up American flag dry cargo and passenger shipping along the Atlantic Coast. At management's invitation, Meany agreed to arbitrate the contract dispute between the Masters, Mates & Pilots and the American Merchant Marine Institute, which represents 21 major steamship operators. Shipping resumed as soon as the parties agreed on the issues Meany is to arbitrate.

The AFL-CIO president's new role has created interest among both management and union men because it indicates how the federation might intervene in the future to promote quick settlement of any dispute directly involving only one union but affecting other federation affiliates.

• Emulating Mobile-All waterfront indicators pointed to a long strike. Management offered to agree to the same contract that the union negotiated with West Coast steamship operators last June. But the union, in the meantime, had secured more from steamship companies centered in Mobile, Ala. Now it is insisting on the longer vacations, overtime payments for holidays, penalty payments for obnoxious cargoes, and other fringes embodied in the so-called Mobile agreement.

After a day-long mediation effort on the part of Meany, the AMMI and the MMP agreed that the AFL-CIO head would arbitrate the differences between the Mobile and West Coast agreements. On the basis of this, the ships' officers returned to work.

Most observers agree that Meany is on the spot. He certainly surprised AMMI by accepting its invitation. But management spokesmen insist that Meany can't "soak" them. As far as the union is concerned, the AFL-CIO head will have "to give a little," AMMI's offer isn't enough. Meanwhile the Crewmen's National Maritime Union warns it will come back for more if the MMP "breaks the pattern." END



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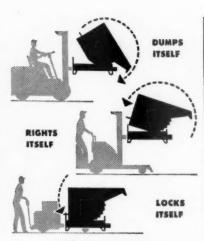
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On the Docket

Supreme Court will consider several cases involving states' rights in labor disputes covered by federal law.

The right of states to act in labor disputes will be a focal issue before the U.S. Supreme Court again this term. Although other important labor questions are before the court, and more are on the way, none now in sight is likely to overshadow the legal controversy over how far a state may go in disputes covered by federal laws.

• States' Rights—One of the states' rights cases will decide whether a state court can use state laws to impose "punitive" damages against a union for non-violent picketing—even if it is barred from enjoining the picketing by the supremacy of the Taft-Hartley Act.

Unions are deeply concerned over this decision (San Diego Building Trades Council vs. Garmon) because it raises a question of whether state courts may use damage awards against labor organizations to curb practices deemed "unfair" under state laws.

In the Garmon case, a California court awarded punitive damages to an employer, ruling that picketing, although peaceful, constituted a tort under state law as well as an unfair labor practice under Taft-Hartley.

Unless the federal high court upsets this decision, unions see a dangerous picketing (BW-May31'58,p46).

In three related cases, unions are attacking (1) Florida state court injunctions against organizational picketing of hotels, and (2) the National Labor Relations Board's refusal to exercise jurisdiction over the hotel industry.

• Arbitration Cases—On another important issue, several cases seek to narrow the area in which federal courts may enforce labor arbitration agreements—approved in principle by the Supreme Court last term.

This time employers are asking whether courts may compel arbitration, as provided in collective bargaining, where (1) only individual employee rights are at stake, not the contractual rights of the union itself, or (2) the dispute may involve an unfair labor practice, under the exclusive jurisdiction of the NLRB.

 Other Cases—The high court is also expected to rule on another Taft-Hartley question: Can a federal court set aside an NLRB bargaining unit determination if the court decides that the determination violates T-H? Normally, the board's decisions in representation cases aren't subject to judicial review. END

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In Labor

McClellan Hearings Result in a Charge Of Perjury Against Bakery Workers' Boss

The first perjury indictment in 20 months of McClellan committee probing was handed down this week against Pres. James G. Cross of the Bakery & Confectionery Workers, one of the unions expelled from AFL-CIO. A federal grand jury charged that Cross lied when he testified to the committee that he wasn't involved in a convention hotel brawl.

Cross was called before a San Francisco grand jury after a fracas between rival factions in 1956, but wasn't indicted. He charged this week that the indictment

now is "politically inspired."

Recently, Robert F. Kennedy, a Democrat, the Mc-Clellan committee's general counsel, castigated the Justice Dept. for failing to seek indictments against 14 witnesses who, the committee believes, may have perjured themselves in testimony.

EAL Goes to Court to Block Strike Over Cockpit Jobs in Future Jets

Eastern Air Lines this week forestalled a new jet-age labor relations problem with an old legal device, the injunction. The company is caught between two contending unions—the Flight Engineers' International Assn. and the Airline Pilots' Assn.—that claim jurisdiction over the third man in jet cockpits.

Both unions have threatened to strike over the issue. Since the Flight Engineers refused to accept a recommendation of a Presidential fact-finding board that the third man have pilot training, EAL refused to write such a proviso into a contract with the Airline Pilots.

The Pilots called a strike last weekend. "Airline pilots have a primary obligation to the public to enforce these safety standards . . .," the union said. EAL went into court to point out that it doesn't expect to start jet service until the spring of 1960. Federal Judge Joseph P. Lieb issued a temporary restraining order.

NLRB Opens Doors to More Clients, But Bigger Load May Add to Delays

More employers and unions are now eligible to take labor problems to the National Labor Relations Board under jurisdictional rules that cut into the legal "no man's land" between federal and state machinery. But the number who can is still only a comparatively small percentage of those whose cases NLRB won't handle and states can't.

When the board announced plans to broaden its

jurisdiction, it estimated that new rules would allow it to take on 20% of the cases that had been declined in the past. Last week, the board put the revised rules into effect with three changes that added a few more cases.

NLRB will now adhere to the standards outlined last July (BW-Jul.26'58,p48) with these differences: It will accept cases involving office buildings with annual rentals of \$100,000-including \$25,000 from concerns covered by NLRB rules; newspapers with \$200,000 gross revenue or radio, television, telephone, or telegraph companies with \$100,000; and franchised retail dealers with \$500,000 gross volume of business, an increase from \$250,000.

The new standards are only a partial answer to the problem of "no man's land" cases. The Annual Conference of State Labor Relations Agencies, which met recently in Puerto Rico, served notice that it will ask Congress next session for the right to handle all cases

turned down by NLRB.

The expanded jurisdiction means more work for the board—and probably more headaches for those whose cases go before it. NLRB recently had a backlog of 4,650 cases and was falling behind by 300 cases each month. Congress voted \$1.5-million to give NLRB more staff aid, but the five board members who must in the end decide disputes continue to be heavily overloaded.

Workers Can Draw Post-Strike UC While Awaiting Repairs to Plant

Employees who remain idle after a strike because repairs must be made to equipment "unavoidably" damaged during the walkout can collect unemployment compensation. Tennessee's Supreme Court so ruled last week in upholding UC claims of 498 workers who couldn't go back to work for several weeks after an Aluminum Co. of America strike in Knoxville in 1956. The state UC board refused to pay benefits.

More Strikes in August

Increased tension in collective bargaining during August resulted in a sharp rise in the number of new strikes, from 175 in a comparatively peaceful July to 300, involving 140,000 workers and costing industry 2-million man-days. Even so, the number of new walkouts for August dropped to a 10-year low for the month.

4% Wage Boost in Britain

American employers aren't alone in concern over rising labor costs. Last week, the British Confederation of Shipbuilding & Engineering Unions negotiated a 4% increase for 2.75-million British factory workers, the year's biggest pay boost. Skilled workers will get just over \$1 a week more; semi-skilled and laborers will get slightly smaller raises. Industry's added cost will be roughly \$140-million a year.

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PERSONAL BUSINESS

BUSINESS WEEK OCT. 11, 1958



The jet age has arrived for the civilian traveler.

Both British Overseas Airways Corp., which has just inaugurated weekly service, and Pan American World Airways, starting daily flights later this month, report hundreds of reservations. Bookings already have been made into next year.

BOAC is offering once-a-week service to London from New York (International Airport) in a little over 6 hr. aboard a de Havilland Comet IV (westbound takes about 4 hr. longer). Pan Am's Boeing 707 flights, everyday in both directions from New York to Paris (7 hr.) and to Rome (8½ hr.), begin Oct. 26. PA flights to London (about 6½ hr.) start Nov. 16. BOAC plans daily flights, also in both directions, in mid-November.

Jet travel gives you a remarkable saving in time-about half-and at no extra fare. BOAC's two classes to London are first class (one way, \$435; round trip, \$783) and de luxe (one way, \$485; round trip, \$873). Aboard Pan Am's Boeing 707, the classes are de luxe and economy. For a New York-to-London hop, de luxe fares are: one way, \$485; roundtrip, \$873. Economy fares are \$252, one way, and \$453.60, round trip.

Choice seats are in the forward sections of the jets. For Comet flights they can be requested, and for the Boeing, requested seats will be assigned if possible. On a Comet, there are 16 first-class seats near windows and 8 de luxe window seats. Aboard a Boeing, there are 20 de luxe window seat locations and about 35 in the economy class.

The Comet's de luxe seats have leg-supporting cushions, while aboard the Boeing, the de luxe seats can be placed in a reclining position to make sleeperette seats.

Normal cruising speed for the Comet is 500 mph. The Boeing's is 575 mph. Both fly at altitudes of 34,000 ft. to 40,000 ft., as much as a third higher than most long-range piston-driven aircraft on North Atlantic runs.

If you've been partial either to BOAC's "Monarch" flight or Pan Am's "President Special," note that these plush flights will be transferred to the jets when daily schedules begin.

Flight sensations: You can expect to feel "at peace" as soon as you get aloft. The jet's swift ascent to high altitudes starts slowly, but the craft gathers more speed more quickly than a piston-driven plane. In the forward section of the plane, you'll notice no sound and a minimum of vibration. To the rear, the only noise is a slight low rumble. The over-all feeling in flight is like that experienced in a sweeping glide on ice—which may account for reports that passenger fatigue is reduced about 75%.

Hint: This may be the time to take advantage of the family discount plan, in effect Oct. 15 through Mar. 31. If you purchase a ticket at the regular rate, you can save \$300 on a round trip, first class, or \$150 in the economy class.

Autumn vacationists in Europe have a wide selection of top attractions this year. Here are a few of the leading events:

Austria. October, colorful fall vintage festivals in Lower Austria and the Burgenland.

Belgium. Oct. 19, closing ceremonies at the World's Fair.

England. Oct. 22-Nov. 1, International Motor Show, London.

Germany. Nov. 1-Dec. 15, major exhibit of Renoir paintings, Munich. 121

PERSONAL BUSINESS (Continued)

BUSINESS WEEK OCT. 11, 1958 Ireland. Nov. 1, opening of Irish hunting season (U.S. visitors welcomed by 80 hunt clubs throughout the country).

Italy. November-April, opera and concert season in major Italian cities; Nov. 5-16, International Auto Show, Turin.

Monaco. Nov. 19, National Fete with parades, opera, Monte Carlo.

Leading attractions in 21 countries during fall and winter are listed in a new booklet issued by the European Travel Commission. Ask your travel agent.

Fire losses in the nation reached the highest point last year, the National Fire Protection Assn. reports. A principal cause: defective or overheated cooking and heating equipment (117,900 fires; \$112,900,000 damage).

One preventive measure you can take is to warn your wife against salesmen of "gyp" fire extinguishers and alarm systems for home use. Some fire alarm systems being sold are more likely to start fires than give a warning, and the extinguishers, typified by the aerosol "beer-can" kind, are too small to handle much more than burning meat in a pan, says NFPA.

How do you know what to buy? Get advice from your local fire department or your home insurance agent and look for "UL" (Underwriters Laboratory) or "FM" (Factory Mutual) on the labels, which indicate thorough testing and approval. For kitchen use, a small extinguisher with a dry chemical or carbon dioxide is recommended, and for elsewhere in your home, either a water type extinguisher or a hose reel that can be attached to a faucet.

Your experience as an executive and broad general knowledge may be just what the newly formed International Seminars, Inc. is looking for. The nonprofit, educational organization will stage "town meetings" and seminars in areas abroad where U.S. objectives may be misunderstood.

Prime movers in the project are Charles E. Wilson, former president of General Electric Co., and George V. Denny, Jr., former moderator of America's Town Meeting of the Air.

Participants will be representatives of leading national organizations; it's hoped that a good share of them will be internationally minded businessmen. Some may view the project as a worthwhile retirement activity. Details are available from headquarters, 521 Fifth Ave., New York 17.

Bigger tips: A 15% tip now is considered inadequate by more than 58% of $5{,}000$ New York City restaurant-goers queried in a recent survey. Participants were not asked what percent they considered to be adequate.

On the other hand, tipping was not approved by the majority for the following: Headwaiters for ordinary service, restroom and cloakroom attendants, and doormen who summon taxis.

If you want the lowdown on the successful strategy of the Italian bridge team (two-time winner of the International Championship), Charles H. Goren sheds considerable light in his new book, The Italian Bridge System (Doubleday, \$3.95). As for the nation's most popular card game for two people, gin-rummy, Walter L. Richard's new complete Gin-Rummy aids the experts as well as the beginner (McKay, \$2).

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Wm. Herbert Carr, Vice President-Finance, California Packing Corporation

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MOORE BUSINESS FORMS

Business Gets Political Urge

Rumblings of corporate political activity this year
 signal new movement to "get business back into politics."

 Its aim isn't just businessmen in politics, but representation for corporate viewpoint on a par with labor's.

 There's still great timidity—with two generations of corporate nonpolitical tradition to overcome.

This is the year that industry has come up with a new battle cry: "Politics is in business; let's get business back in politics."

Within the last three months, more and more frequent bubbles of activity have been breaking the normally smooth surface of corporate silence in this area.

 Aerojet-General Corp. sets up machinery for political contributions to both parties by employees (BW-Sep. 13/58 n40)

• Gulf Oil Corp. sounds off publicly that its managerial employees must get into politics to "counter labor gangsters and socialist politicians."

• General Electric Co. sticks its corporate neck right into the middle of California's political battle over the "right to work" issue.

• The Effective Citizens Organizations (ECO), a private group sponsored by 50 major corporations, steps up its workshops in practical politics.

• A big grain company lets its grapevine filter the word that "political activity is now O.K"—and four employees, for the first time in history, run for local offices.

• The Texas Manufacturers Assn., the U.S. Chamber of Commerce, and a number of trade associations start drives to get member companies—and their managerial employees—into active

These bubbles, despite the coincidental timing, are not simply froth pushed up in an election year. Rather, they are the first widespread appearances of a trend that has been gathering strength quietly for some years. In fact, most of the current programs for active involvement are such that they can have no effect in this year's election, possibly not for several years.

Yet the timing is, of course, not entirely coincidental. It's obviously easier to whip up general interest in political action in a campaign year.

And despite all the brave talk, there is real timidity in the corporate world about active politics. Few executives

will talk yet—for attribution—about political plans. And a politician who won't talk is a pretty green politician.

• New Angle—At first look, the new

 New Angle-At first look, the new drive to get business back into politics might seem almost naive, since even the casual observer can name dozens of "businessmen" in politics or high office: the current New York gubernatorial race, for instance, between millionaires Nelson Rockefeller and Averell Harriman; a long list of Eisenhower Administration appointees; or the literally scores of men from "business" in Congress or state legislatures.

But the sponsors of the new movement are neither naive nor unobservant. And they are deadly serious. For they are talking about representation for the corporate viewpoint—even, perhaps, the "big corporation" viewpoint.

The vast majority of businessmen now in elective office, national, state, or local, do not necessarily speak for, nor agree with, this viewpoint. They are mainly entrepreneurial types—contractors, real estate men, heads of small, family-owned companies, men of independent wealth. Few come from the ranks of corporate salaried employees, or particularly, the managerial group.

The big companies argue that over the past two generations, as the corporation has become more important economically, its genuine political power has waned. As evidence, they point to the multiplication of anticorporate measures: rising tax rates, particularly state and local; increasing regulation, stepped-up antitrust actions.

• Double Reason—They see two chief reasons for this waning influence:

The changing climate of public opinion since the Great Depression—plus the Wagner Act prohibition, now removed, against employers talking to employees about unionism, and by inference, about any political issues, and the fear of offending customers—has tended to muzzle corporate expressions in controversial areas.

Federal and state laws prohibit corporate political contributions. Compara-

tively few salaried executives have been willing or able to make large personal contributions out of after-tax income.

Careful avoidance of personal involvement has kept many of the able, intelligent younger men in management away from political activity. This is partly because of a general, if unwritten, understanding that political action might "affect their careers," partly because increasing mobility of management has cut off local roots and genuine interest in local affairs.

I. Out for a Change

Now businessmen across the country are out to change that state of affairs. The over-all goal is the same—though rarely as bluntly put—as outlined in a pamphlet issued by the Texas Manufacturers Assn., called The Businessman in Civic and Political Affairs:

"In every city and county of Texas, there are leading citizens, known personally to each other, who are vitally interested in preserving free enterprise, American traditions, and responsible government. But in most areas these men have not pooled their efforts to work for political ends; hence, to a large extent, they have not utilized the influence they can bring to bear.

"The political complexion of Texas could be changed within four years if they did so. At the present time, in large measure, businessmen too often follow the leadership of candidates (meanwhile decrying the quality of those candidates) instead of selecting candidates who will follow their leadership."

 Slow Going—Not that anyone looks for a naked grab for power. But as one spark plug of the new campaign puts it, industry has decided that with every area of its operation touched by govcrnment "paid lobbyists and propaganda

blasts aren't enough."

The same man concedes that it's going to be a slow and hard road to make the voice of business equal to that of labor or the political machines. Most businessmen are still scared stiff of the idea of direct action, but are getting interested. If many get into politics, he says, "a lot of them are going to make every mistake in the book, and fumble badly. Some will go in swinging personal weight, or that of the company—and they'll get beat 10 ways to the middle by the pros who know all the political tricks."

 What's in the Works—Nevertheless, adds this leader of the campaign, "this thing is starting quiet and easy, and



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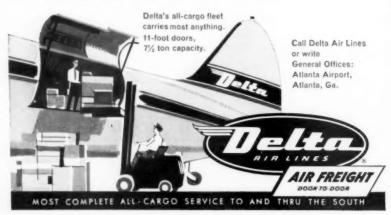
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it will be made a continuing thing."

At the current stage, it takes these forms:

• Encouraging corporate top brass to have the company, as such, take a public stand on controversial issues, as GE is doing in California with ads and speeches in support of the state "right-to-work" amendment (BW-Sep.27'58, p+1). Many companies do not understand that while they may not contribute to a party or candidate, they have a legal right to spend money for or against an issue that affects them.

• Letting people down the line know—as have Henry Ford II, or Fred C. Foy, president of Koppers Co., or Donald W. Darnell, president of Fluor Corp.—that direct political activity is not only permitted but officially approved. Where this is done, it's being made clear that approval goes for work in either party. "It's especially important to start working the Democratic side too," says one leader. "We've got enough ties to the Republicans. Then no matter which is on top, we've got some voice."

• "Business climate" programs such as GE's, in which local groups are encouraged to make a 167-item analysis of political, economic, and social conditions in their areas. The idea is to narrow down to things a company wants changed and concentrate on these instead of scattering shots.

• Programs similar to those of ECO and the trade associations—workshops and seminars running from two days to 11 weeks, to teach the relatively uninformed businessmen the political facts of life in his area. A not untypical feature: A practical, step-by-step method of taking control of a party precinct organization.

II. How Effective?

Suggest to companies that they have throttled political activity of employees in the past, and many will bristle. A number readily offer lists of employees filling "political" spots, and vehemently insist that the company encourages such "socially responsible" activity—with either party.

Others, of course—far greater in number—still adhere to a rigid attitude of "civic responsibility" (charitable, cultural, or "nonpartisan" community projects)—but no politics. Even companies officially blessing the new trend from the top may find this traditional block down the line. GE, for instance, probably leads the big outfits in the new trend and has had an official political encouragement program for four years. But GE plant managers in New England and the South tell reporters "We encourage our employees to vote." Period.

· Inadequate-As for "political em-



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ployees" listed by many companies, they fall into three categories—none supplying the needs the current movement sees.

Three out of five are hourly rated, rather than salaried white-collar employees—and not necessarily on management's side on economic issues.

The second group—top brass active in state or county party committees—usually concentrates on fund raising, and mainly for the Republican Party, except in the predominantly Democratic Southern states.

Third—and at first look what the new movement would be after—are white-collar types on town councils, school boards, or in mayors' chairs. But these are largely specialists, engineers and technical people, or public relations and advertising men, not managerial types.

The biggest weakness, says one close observer, is that this is mostly just "play politics"—part-time office-holding in upper-class residential suburbs by men who "don't want to get their hands too dirty with real politics. They talk seriously about sewage and schools, but on real issues, they swing no weight at all."

• Dilemmas—The new movement, in urging not only more active but more effective politics, is confronting management with a number of dilemmas.

"If an executive runs and loses," says the president of a West Coast industrial company, "we've gained nothing. If he wins, he has to bend over backwards not to favor us."

The dilemma becomes more acute if a man becomes active as a Democrat, outside the South—for many corporation top brass feel that any public utterances contrary to official company policy are literally treason. In one Midwestern city, a big outfit's vice-president, mentioned prominently as candidate for mayor with Democratic backing, had to withdraw under company pressure—and was forbidden to stump for any Democratic candidates.

• Rules and Policies—The general rule, as espoused unofficially by companies such as du Pont, Coca Cola, Republic Steel, is that "political activity is all right as long as it doesn't affect doing your job. If it begins to take too much time, then take your choice—politics or the job." The higher the man is on the corporate ladder, the greater the hazard. Several ranking executives have been yanked out of the political arena when press reports began identifying them as "county chairman, and vice-president of XYZ Co."

This puts the politically minded young executive in a box. It would take rare courage for a \$15,000-a-year man to step off the managerial escalator to take a political office, with an uncertain future, at half that.

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leaves of absence-without pay. In Pennsylvania several companies, including Westinghouse and Sun Oil, grant leaves to employees in the legislature during sessions held every two years.

A bare handful go a little further. Armstrong Cork, in a policy at least 20 years old, allows executives in part-time politics to devote some company time to the political job, lets full-time officeholders know it will take them backwith the understanding that absence may affect promotion.

· Skeptical Politicans-So at the moment the campaign is not stressing running for office but working into local organizations—as envelope stuffers or doorbell ringers to start. The theory, of course, is that by controlling local organizations-and without coming into the open-industry can pick the candidates to represent it.

Practicing politicans have their doubts about even this. One does concede that executives could do more good by visiting the people in their precincts than by giving money. But most take a jaundiced view.

A Midwestern city boss sneers, "This low-level stuff they're talking, it's just work, no prestige, no glamor. These fancy dans can't take it.

A New Yorker wants to know what chance young executives, with no directtie between their jobs and their political fortunes, would have against the "hungry young lawyers who build their whole practice on a political base.'

· Recruiting-In the absence of hordes of volunteers, local efforts such as the "Los Angeles Plan" are springing up for the current election. This is a highly unofficial group-in fact, few companies will admit they are part of it-of Republican corporation officers who proselytize for doorbell-and-envelope manpower from their own organizations "to counteract manpower the Democrats get from the unions' fulltime paid employees."

· Aims and Expectations-So far, most of the overt activity has hinged on slogans about "countering labor domi-nance." Privately, however, many management men admit to only a mild concern over labor-management legislation -and a much greater interest in local taxes, state regulations, and competitive questions within industry itself.

No one expects any quick or easy changes-especially in getting insiders to take a positive stand after two generations of "don't-stick-the-neck-out" conditioning. And, the ECO workshops make clear, "you're not going to be alone there in the precincts. The politicians, the union men will be there, too." But, says one leader of the new movement, "The environment is changing. Lots of people are walking around the idea very carefully-but they're edging closer." END



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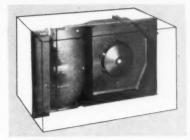
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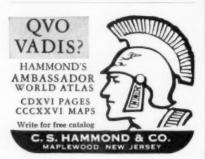
Massachusetts Investors Trust

136th Consecutive Dividend

9 cents a share, from net income payable October 27 to shareholders of record September 30, 1958.

ROBERT W. LADD.

200 Berkeley Street, Boston



LEGAL NOTICE

ptember, 1958. [SEAL] JANET A. HARTWICK. (My Commission expires March 30, 1959)



REXALL DRUG Pres. Justin Dart is transforming a nationwide drugstore chain as . . .

The Corner Druggist Turns Manufacturer

The purchase by a retail chain of a potential source of supply is hardly a new technique, so the acquisition last week of the Tupper Corp. by Rexall Drug Co. might not, on the surface, seem unusual. Tupper is a leading maker of plastic housewares; drugstores in recent years have tended more and more to sell plastic housewares.

But there's a difference in this deal. For one thing, Tupper consumer products have been sold directly in the home only, not in stores; under the Rexall banner Tupperware will continue to be sold that way. The roughly 11,000 drugstores that now stock the Rexall brand won't carry Tupper products. And Tupper's line of industrial plastics has no relation to drugstores at all.

· Conversion Job-The move marks another step-and the biggest to datein the campaign of Justin W. Dart (picture), president of Rexall Drug, to convert his company from primarily a retail drug chain to a major manufac-turing enterprise. Tupper is Dart's fourth penetration into plastics since 1956. So far, the ventures have all been into fabrication, but Dart expects his plastics divisions to be using enough raw materials within a few years to justify going into production, too.

Why plastics? Says Dart, "It's the fastest growing area of manufacturing." And why manufacturing in preference to retailing? Says Dart, "The profits are better, and the long-range growth possibilities are better. In retailing, about all you've got to look forward to is bigger overheads."

In many ways, Dart has already proved his point. Back in 1947, when Dart started his turnaround campaign, the company owned 525 retail stores, had gross sales of \$182-million, and earned a net of \$1.7-million. By last year, its owned stores had been whittled down to 160-but half a dozen manufacturing aspects had been added. Gross volume of \$167-million was off some 8% from a decade earlier-but net profit, at \$4.6-million, was almost three times as great.

• Retailer First-All this may seem somewhat paradoxical for a company that started in 1903 as a manufacturing venture-to make and distribute proprietary drugs for a nucleus of 40 pharmacies-and has never stopped. At the end of World War II, for instance, the company was producing drug items, rubber products, stationery, and even some industrial cotton products.

Rexall then considered itself first a retail chain, secondarily a wholesaler to affiliated non-owned stores, and only incidentally a manufacturer to supply its retail outlets. But by 1957, some 25% of Rexall's total profit came from making items that do not bear a

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"Rexall" label, 25% came from its owned retail stores, and the balance from supplying proprietary drugs and cosmetics to affiliated stores. By 1959, almost 50% of total profit should come from the newer activities, only 15% from owned retail stores.

• Four Kinds-The Rexall retail setup is somewhat complicated, with four

different types of stores: Company-owned stores (currently) about 160) concentrated on the two coasts and in Florida.

 Independently owned "agency" stores (about 330), which, like the owned stores, buy a large part of their supplies from Rexall.

· Franchised dealers called Rexallites (almost 11,000 independent druggists), who carry Rexall products as well as others.

· "Partnership" stores, a new development concentrated in large shopping centers, which Rexall finances in exchange for half the profits.

All of these outlets are serviced by the Rexall Div. as a wholesaler. The manufacturing divisions make about 65% of the approximately 5,000 items the wholesale division handles, principally proprietary drugs, cosmetics, and stationery. The rest, items such as housewares and toys, the wholesale division buys outside.

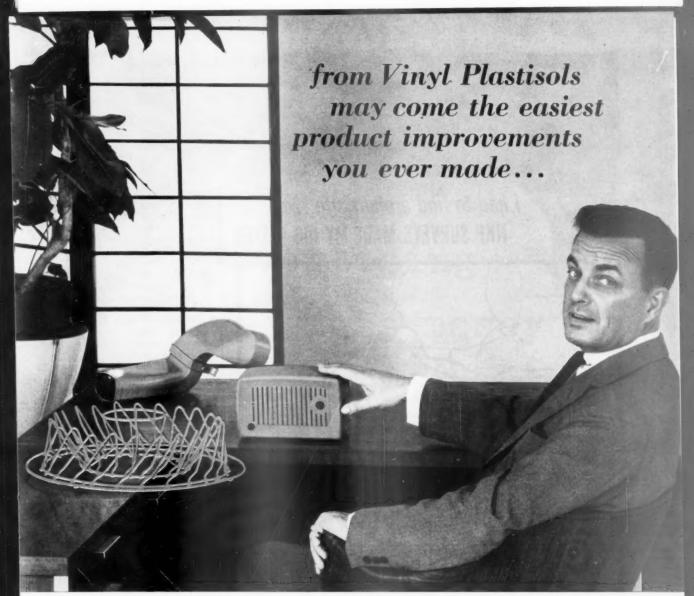
· Fewer Outlets-The drugstore business, rosy during the war, looked less happy in postwar years as consumer money went to other areas. Shifting pepulations and the trend toward shopping centers made many of Rexall's owned stores marginal at best. When Dart became president in 1946, he began whittling the stores down to the best of the lot.

Even the shrunken chain, with all the affiliated stores, still gave Rexall access to almost a quarter of all the drugstores in the country. But the ceiling on Rexall's growth was obvious. Even for its own stores, many of its most profitable items-particularly ethical drugs, those that require a doctor's prescription-had to be purchased outside. And the number of additional independents that could be persuaded to take on Rexall-labeled products was limited.

· More Than Drugs-So Dart decided both to grab a hunk of wider drug markets-and to expand beyond the

drug business.

For wider drug markets, he needed products that could be sold beyond the Rexall affiliates. The best profits of all lie in prescription-type drugs such as the antibiotics and tranquilizers that have boomed so sharply over the past decade. Rexall researchers had been working on rauwolfia, a root long used by Indians to lower blood pressure, succeeding in synthesizing some components of it as Veraloid in 1947. Selling



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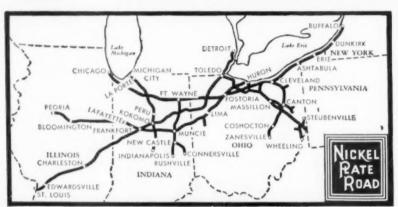


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under a Rexall label would automatically limit both the sale and promotion possibilities of new ethical products. So, to get as wide a market as possible for Veraloid and other projects he had in the works, in 1949 Dart set up a new ethical house of his own, Riker Labora-

Riker is a wholly owned subsidiary of Rexall, but operates for all practical purposes as an autonomous company, since its market is essentially the medical profession rather than the drugstore. Riker has since added other products, most notably Deaner, an antidepressant drug, which has had a substantial success. Riker is not attempting to become a broad line house-it will probably concentrate on drugs that affect the central nerve system-but already its products are being sold in 40 countries and account for 15% of total Rexall profits.

· Purchases-With a beachhead established in ethical drugs, Dart then set out to expand Rexall's proprietary and cosmetic business. One move was the purchase, in 1952, of Vitamin Corp. of America, which sells a full range of vitamins under its own label. Meanwhile, although his own store outlets were being cut back, Dart enlarged facilities for drug and cosmetic production and set up a new company-and label-for sale of products to outside stores. Out of plants in St. Louis and Toronto flow essentially identical products labeled in some cases Rexall. for sale through the company's own and affiliated stores, and in others TPC (for Tested Products Co.), for sale to all other outlets.

Rexall has also been going in heavily for development of new products that can be promoted as specialty items. One of the most successful so far is "Thru," a surface analgesic that penetrates the skin for relief of muscular pain. The company is also working seriously with aerosols. It claims to have been first in national distribution of an aerosolpackaged toothpaste-and plans a whole line of aerosol-packaged drugs.

· Sweetening-Along the way, Rexall also picked up Blum's of San Francisco, originally a local chain of cozy combination restaurants and candy-pastry shops. These have been spread to other metropolitan areas. But Rexall is putting major emphasis on manufacture of Blum's candies and pastries and selling them through wholesale accounts in big cities.

Meanwhile, the whole Rexall line has been repackaged. The retail stores are advertised on TV spectaculars and in national magazines and local papers. Rexall's owned stores are being steadily upgraded-into super-drugstores whereever possible-and affiliates are encouraged to modernize.

· Plastics Venture-But Rexall's big-

Advertising leaves less money for profits



J. H. Jewell refutes this one ...

Mr. J. H. Jewell, vice president in charge of marketing, Westinghouse Electric Company, says: "Well-planned industrial advertising is a cause—never just a result—of sales and profits. In today's economy the quality of communications in selling is as important as the quality of production equipment."

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Rexall got into plastics for an obvious reason. It had been making many of its own rubber products since 1917. "But," says a Rexall official, "more and more of the things that used to be made of rubber are now being made of newer plastics." So in 1956, Rexall started its chemo-plastics division, with Seamco Chemical, to fabricate the items it needed.

In 1956, the company also picked in the started of the started its chemo-plastics."

est future growth may lie in plastics.

In 1956, the company also picked up Kraloy Plastic Pipe Co., Inc., of Los Angeles, which made light, non-corrosive plastic pipe and fittings for use in irrigation, oil fields, and chemical manufacture. Kraloy, near bankruptcy when Rexall took it over, has in the intervening years become one of the more important makers of plastic piping.

Just two months ago, Rexall added Chemtrol Co. of Lynwood, Calif., to the division. Chemtrol's complete line of plastic noncorrosive valves ties together with the Kraloy fittings. Now the acquisition of Tupper adds its line of home products and patented Tupper Seal containers. In addition, Tupper has an industrial division, which will be expanded to provide Eastern production facilities for Chemtrol and Kraloy.

MANAGEMENT BRIEFS

When corporate executives clash, and one of them leaves the company, the usual announcement explains his departure by such vague cuphemisms as a "desire to pursue other interests." Not so when William H. Wilson, president of Virginia-Carolina Chemical Corp., resigned because of troubles with new Chmn. Justin Potter. "Mr. Potter and I disagreed as to the extent of my authority," Wilson explained. "I didn't want to take the responsibility for this business with limited authority." Wilson continues on the board.

The proposed merger of Northrop Aircraft, Inc., and American Bosch Arma Corp. is off. The two companies had announced that the whole deal seemed wrapped up, but it turned out that the boards couldn't agree on such vital points as the ratio for stock exchange, the composition of the new board, the name for the merged company, and who was to be the chief executive.

Norton Simon is moving to clear up some of the organizational confusion in his Hunt Foods & Industries, Inc. (BW-Apr.13'57,p172). Nine of the company's 13 subsidiaries—including Midlands Chemical Co., an investment company—will be merged into the parent in order to "greatly simplify the present corporate structure."



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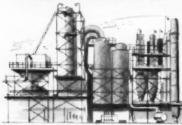
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What Did We Do Right?

In its own way, the business recession that hit its low point last April set a lot of records. It was the sharpest of the postwar period. It was also the shortest. And for the professional economists, it was the most discomfiting.

The embarrassment of the economists hasn't been widely noted because at first glance the majority of the advance predictions about the recession seem to have panned out fairly well, and the economists themselves have been reluctant to advertise the fact that they were right for the wrong reasons.

But the truth is that the business statistics of the past 18 months pretty thoroughly demolish a number of popular theories about the postwar U.S. economy and the forces that are driving it.

For one thing, it's plain that we have not yet ironed out the wide swings in capital spending that were one of the main sources of instability in the prewar economy. As the recession got under way, companies slashed their spending for new plant and equipment far more drastically than they had said they intended to. Early this year, surveys of business plans by McGraw-Hill and by the government showed a planned reduction of 12% to 13% in total outlays and 17% to 18% in manufacturing. The actual drop, according to the latest estimate, will be 16% for the total, 25% for manufacturing.

Actually, it wasn't business spending that kept the recession from turning into a long, deep trough. It was consumer spending and government spending on a massive scale.

From the third quarter of 1957 peak of \$288.3-billion, personal consumption spending slipped only to \$286.2-billion in the first quarter of 1958. In the second quarter it climbed back to the old peak. And in the third quarter it went on to set a new record. Meanwhile, the federal government was swinging from a balanced budget to an estimated deficit of \$12-billion in the current fiscal year.

As a result, the economy is now in the midst of one of the fastest rebounds in its history. But in the exhilaration of this recovery, there's a danger that no one will take the trouble to study the record to see just what can be learned from it.

What we need to know is just how depression-proof this economy really is—and why. Does the credit for recovery mainly go to stepped-up government spending and the built-in stabilizers? Did wage and price rigidities help check the downward movement, by maintaining income at a high level? Or are these rigidities, and creeping inflation, the factors that have been generating persistent unemployment? Did tight money and earlier budget-cutting—even if they helped to induce the recession—prevent a more serious depression?

Pre-cooked theories and ideologies won't provide

the answers. But the record of the past couple of years may provide a great deal of help, if it's subjected to rigorous and fresh analysis. We can't construct better policies until we have a clearer understanding of what makes the U. S. economy tick, what we did wrong—and what we did right.

Toughness and Flexibility

The crisis in the Formosa Strait no longer looks quite so ominous. Thanks to the mixture of toughness and flexibility in U.S. policy, the Chinese Communists have shifted, at least temporarily, from military to political pressure on Nationalist China.

Early this week, Red China announced a seven-day halt in the bombardment of Quemoy and, immediately afterward, Soviet Premier Khrushchev moderated his threats of Soviet intervention. It was these Communist moves that prompted the U.S. to withdraw—for the duration of the Communist cease-fire—the convoy support it has been providing the Chinese Nationalists.

In making this response, Washington has indicated its readiness for a peaceful settlement that might lead to the demilitarization of the offshore islands, and ultimately to their transfer to Red China. At midweek Washington was far from sure that the Communists actually want a peaceful solution—one, at any rate, that the Nationalists can possibly accept. But, in the interests of peace, Washington has to be prepared to run many risks, including a possible blow up with Chiang Kai-shek.

There is, in fact, no way out of this crisis, (short of war) that won't involve some concessions by the Nationalists. Pres. Eisenhower and Secy. of State Dulles have recognized this from the start. Their main purpose, apart from standing on a "no force" principle, has been to minimize the concessions and the strains between Taipei and Washington.

The Administration, of course, might have taken the position of some of its critics and either have watched the Nationalists being driven from Quemoy by the Communists or itself have forced the Nationalists to evacuate. Either course would have produced a catastrophic effect in Formosa, with inevitable repercussions in allied countries in the Far East.

In the early stages of this crisis, Eisenhower and Dulles may have talked and acted in much too belligerent a manner to suit popular taste in the U.S. and other democratic countries. But it should be quite clear by now that if they had not taken a tough stand, and demonstrated that the U.S. has the military strength to run risks in the interest of Free World security, our bargaining position today—both with the Nationalists and the Communists—would be disastrously weak.



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